Dominion Bridge Company, Limited

Annual Report 1979

Dominion Bridge Company, Limited

Contents

Cover: Sparks shower as 160 tons of molten steel pours from ladle at new steel mill in New Jersey. Ladle is carried by 220 ton Provincial crane – one of nine Provincial cranes at new facility.
Cover Inset: Tractors and farm equipment are effectively displayed in and around this busy North Carolina distributorship. Building was designed and erected to fit customer's needs by Varco-Pruden.
Left: Increased demand for refining heavier domestic crude oil has meant new business for Litwin in the retrofit design and construction of special cracking towers similar to this one.

Dominion Bridge Company, Limited is a diversified international company which, with its U.S. subsidiary AMCA International Corporation, is engaged principally in manufacturing, engineering and construction activities. The products it makes, and markets it serves, include:

Industrial Products – aerospace and auto components, food processing and packaging machinery, single point marine terminals, metal forming machinery.

Engineering and Construction – turnkey refineries, petrochemical and industrial plants, pre-engineered metal buildings.

Materials Handling – cranes and derricks, construction and marine equipment, design, construction and operation of bulk materials handling systems.

Steel – production, fabrication, distribution and erection.

Electric Utility Products – generation and transmission equipment for conventional, nuclear, biomass and hydroelectric power systems.

Dominion Bridge Company, Limited

Financial Highlights†
(Stated in millions)

	1979	1978
Sales and other revenue	$961.1	$886.2
Income before foreign exchange	50.9	37.0
Net income after foreign exchange	54.5	34.1
Cash (net of short-term borrowings)	141.8	39.6
Total assets	736.6	613.8
Long-term debt	114.8	139.0
Shareholders' equity	315.3	203.9

Per Share Data
(Stated in dollars unless otherwise specified)

	1979	1978
Net income before foreign exchange	$ 2.19	$ 1.74
Net income after foreign exchange	2.34	1.60
Cash flow from operations	2.31	2.37
Dividends (in Canadian dollars)	.80	.59
Book value	11.84	9.56

Per share data, except book value, has been calculated based on the weighted average shares outstanding during the year and has been adjusted for the December 1979 two-for-one stock subdivision.

1978 has been restated to reflect the settlement with the Department of National Revenue (Note 4).

†Unless otherwise specified, all figures in this annual report are stated in U.S. dollars.

Management's Report to Shareholders

Bright spots and disappointments ...record sales and earnings... sales up eight percent...income up 60 percent...improved Canadian operations...formation of new joint undertaking : Dominion Bridge-Sulzer Inc....good performance by most U.S. and international businesses.

We look back at the year just concluded, as always, with mixed emotions reflecting some bright spots in the affairs of your Company and a few disappointments. Highlights included:

> Achieving record sales (including other income) and income levels for the twelfth year in a row with the former at $961 million up eight percent and net income at $54.5 million up 60 percent over 1978.

> The satisfactory completion of our ten-year growth plan as drawn up in 1969 results of which are elaborated upon on page 6 of this report.

> A substantially improved contribution from our Canadian operations which produced approximately 40 percent of the Company's net results versus lower percentages in more recent years.

> The sale of 49 percent of essentially all of our Quebec based assets to Sulzer Brothers Limited of Switzerland for $20.6 million cash ($24 million Canadian). The transaction, which was recently completed, resulted in a net gain of about $9.5 million ($11.7 million Canadian) but more importantly strengthens operations in eastern Canada and provides a much greater potential for developing broader markets from that base in partnership with one of the world's outstanding engineering and manufacturing firms.

> A good performance by most of our U.S. and international businesses having regard to difficult operating conditions in what is today a very complex business environment.

> The sale in late 1979 by AMCA International Corporation, our wholly owned U.S. subsidiary, of two businesses – Madison Industries and Insley Manufacturing – which, with due regard to future investment opportunities, did not appear to fit in with AMCA's growth plans. Madison is a small cutting tool manufacturer – Insley produces hydraulic excavators. The two transactions generated approximately $22 million in cash, resulted in a gain on disposal of about $8 million and will not have any material impact on AMCA's future sales and earnings.

> The economically advantageous rearrangement during the year of much of our debt financing coupled with a very successful rights issue of approximately 5.3 million common shares (adjusted for the split referred to in the next paragraph) in July 1979. A glance at the balance sheet on page 23 will convey that we finished the year in a strong financial position with shareholders' equity of $315 million, long-term debt of $115 million and with cash in the bank of $168 million. Put another way, had we chosen to do so, we could have paid off at year-end all the debt referred to and had about $53 million in cash left over. It should also be noted that we presently have unutilized lines of credit totalling approximately $250 million, a large part of which, in conjunction with our cash resources, is earmarked for acquisition and expansion purposes.

> Late in the year, the Company's stock was split on a two-for-one basis for the third time in the last five years.

> Dividends to shareholders were paid quarterly in Canadian dollars totalling 80 cents a share (again, adjusted for the referred to split) versus 59 cents a share in the preceding year.

> A recent realignment of the reporting relationships of the various businesses in our organization structure coupled with some strengthening of our operating personnel and corporate staff effectively positions our management team for the challenges of the 1980's.

Before moving on it should be noted that notwithstanding that 1979 net income was 60 percent higher than the previous record set in 1978, the improvement was substantially derived from:

– gains on the divestiture, in whole or in part, of certain businesses for reasons related to our growth plans – all as commented upon above – totalling $13.4 million net of tax, and from

– exchange on conversion of the balance sheet which amounted to a gain of $3.6 million versus a loss of $2.9 million in 1978.

If we turn to the disappointments in 1979, several are noteworthy:

> We started into 1979 with some severe operating problems in our U.S. based Equipment Systems Division which you will recall we referred to in last year's annual report and in our comments at the annual shareholders' meeting in the spring of 1979. During the year we made beneficial changes in the senior management of the division but frankly remain bogged down with leftover problems which we are still working our way out of and which situation is not helped by a continuing soft

K.S. Barclay

market for the products of the division. As noted a year ago, any turnaround of significant proportions will be slow in coming. It is worth keeping in mind that we earned over $20 million pre-tax in this business several years ago. There is, as a result, a rebound potential of some consequence to be addressed. In that context, we believe that the nature of the product line and the demands of the marketplace in the 1980's will be such so as to get this area of our operations back on its feet. In the meantime, it is the only division we have that is operating in the red.

> Our profitable engineering business based in France did not develop major new business in 1979 with international markets in transition. Currency and energy related factors are dominant. We are, as a result, making adjustments in our worldwide engineering group of companies to enable us to confront the marketplace in the 1980's from a position of maximum strength.

> The automotive related sector of our operations in the U.S. enjoyed excellent fortunes in the first half of the year. For reasons widely commented upon elsewhere difficult market conditions were encountered in the second half with the industry undergoing a process of extensive adjustment. Whereas the latter has not yet run its course, we are confident that the industry will sort itself out and accommodate the changing demands of the marketplace as always in the past. Accordingly, we look forward to renewed vigor and growth in this area of our affairs.

> Late in the year, AMCA International Corporation announced its intention of making a $57 cash bid for any and all shares of Warner & Swasey, one of the world's largest machine tool builders. In subsequent developments, the Bendix Corporation intervened and bid $70 a share in a combination of cash and preferred stock. AMCA increased its price to $75 cash which would have involved an outlay of approximately $280 million. Bendix went to $83 maintaining essentially the same package as their first offer and AMCA, based on the circumstances then existing, elected not to pursue the matter further in the belief that the escalating cost of the acquisition presented AMCA with attractive investment alternatives needing examination. It should be noted that Warner & Swasey is a fine company and we would have been proud to have it a member of our group. However, there is a point in any acquisition where economic considerations suggest that alternatives must be pursued. It will be remembered we have previously made the point that, in your interests, we will not "reach" beyond the point where we feel comfortable when considering such an investment. Accordingly, we are now actively studying a variety of opportunities and, as noted elsewhere herein, have substantial cash resources and lines of credit in place to pursue these alternatives at an early date. It should perhaps also be noted that, in the circumstances, our earnings stream has yet to fully benefit from the investment of the proceeds of the common share rights issue referred to above – meaning in the manner specifically contemplated at the time of that issue.

> If we turn to 1980, operating results in the first quarter should compare favorably with the corresponding quarter in 1979. The balance of the year presents many uncertainties at this time. The U.S. economy is, from our standpoint, in recession with little in the way of "real" growth anticipated in Canada. For reasons known to all of us, the international situation is hardly calculated to inspire general business confidence. Notwithstanding these observations, we remain on the threshold of significant further growth and accordingly believe firmly that, in the final analysis with all factors considered, 1980 results should represent a continuation of the excellent progress achieved by your Company in the decade just concluded. I might also add that we are putting the final touches on our plans for the 1980's having developed our thinking in a generally similar fashion to what we put together back in 1969 and will share this with you at an early date so that future annual reports can track results to objectives as has been our past practice.

The accompanying Annual Report, as in other years, elaborates on a number of facets of our affairs in addition to presenting the financial statements and a detailed review of same for 1979. We encourage your review of this material.

In concluding, it is once again a pleasure to thank the Company's directors, officers and employees for having made possible the record results achieved in 1979 and, in fact, throughout the decade of the 1970's.

K.S. Barclay
Chairman and Chief Executive Officer

March 28, 1980

Sale of Insley and Madison... beneficial debt financing adjustments...successful rights issue...strong cash position...two-for-one stock split in December... dividends increased to 80 cents... management realignment for strong lead into 1980's.

Severe problems at Equipment Systems but strong new management...adjustments in progress to bolster worldwide engineering group of companies... good first half automotive business but slack last half...an aborted bid for Warner & Swasey.

Forecasting : a favorable first quarter...general status quo in U.S., Canada and internationally due to recession and unrest... even so, results for 1980 should continue Company's excellent progress.

Right: Urea synthesis plant will convert naphtha to fertilizer in Khartoum, Sudan. Assembled at Company site in Montreal, plant was shipped in modules to Sudan. It will produce 300 tons of dry granular urea a day. Similar modular urea plant is being built for shipment to Madagascar.

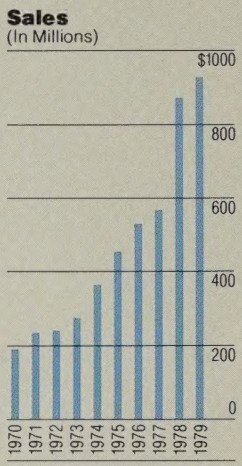
The Dominion Bridge Operating Philosophy and Objectives

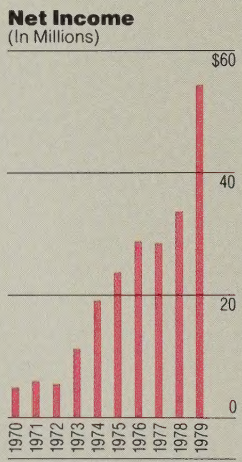
Pre-1970, Company produced structural steel for Canadian market. By planned acquisitions and internal growth it now produces diverse industrial products and provides services worldwide.

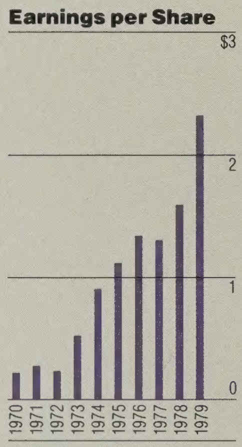
Philosophy: Acquire for balanced diversification – straddle industries and markets – avoid single nation/single product dependence – avoid catastrophe – beat current business plan – organize for profit improvement.

Objectives: $1-billion sales and $50-million earnings by 1980 – increase sales 20% and earnings 30% per year. Goals were reached by late 1970's.

Above: Skilled manpower helps make possible achievement of long- and short-term objectives. Shown here is a Monroe Forgings employee shaping high grade steel bar stock with the skill that comes from years of experience.







1977-78-79 stated in U.S. dollars. 1976 and prior years stated in Canadian dollars.

Philosophy: Dominion Bridge, formed in 1882, was, prior to 1970, essentially a structural steel fabricator serving the Canadian market. At the beginning of the 1970's the Company decided to embark on a program of selectively acquiring other companies which has resulted in substantial growth and diversification primarily to date in the U.S.

The acquisition program is founded on the principle of balanced diversification intended to afford protection against economic cycles and product obsolescence and to promote participation in new markets and new technologies. The overriding philosophy is to maintain the broadest posture possible, straddling a number of industries and international markets, so as to avoid the instability and unfavorable consequences invariably associated with one industry and single-nation-identification.

The Company allocates resources (manpower, money and materials) accordingly and invests for "return" – avoiding emotional attachments to any product or physical location – in recognition that each has its day in the sun. Continuing stress is placed on margins (profitability) and upon turnover (asset utilization relative to volume generated) so as to maximize return on investment. At any point in time, management is guided by three basic priorities: namely, to avoid catastrophe, to meet and beat the current business plan and to organize for future profit improvement.

Objectives: Prior to the beginning of the 1970's, the Company was operating at an annual sales level of $168 million. Net income from operations was $4.1 million. Management set out to improve those results and to grow the organization through acquisitions and internally generated growth – with the objective of reaching the billion dollar annual sales level by the end of the 1970's, generating income of $50 million net* from operations after excluding any gains on the sale of divisions or subsidiaries. These goals were ambitious and indicated that over the 10-year target period, the Corporation was out to increase sales and earnings at what might generally be called unsustainable average annual compound rates of 20 percent and 30 percent respectively. Notwithstanding, as of December 31, 1979 (after making an approximate conversion of 1979 U.S. dollar results into Canadian dollars for the sole purpose of measuring results against objectives), the following compound annual rates of growth over the past 10 years have been achieved:

Sales – 21%
Net income – 28%

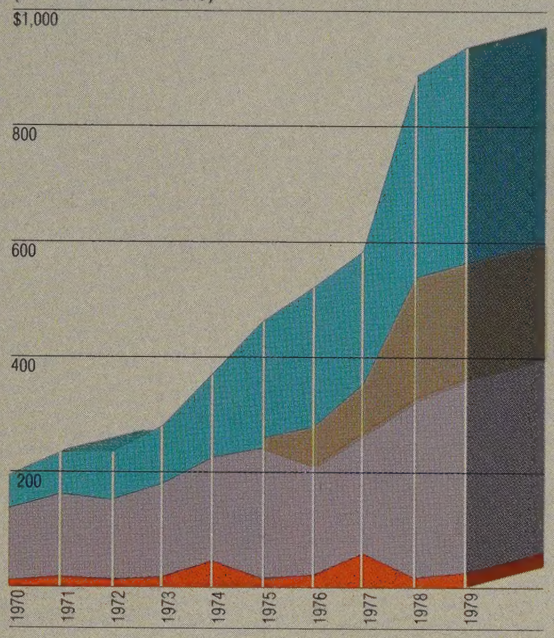
Further, we believe the Company has, in the process
– improved the quality of its earnings;
– developed an exceptionally capable management organization, both in its operations and at the corporate staff level;
– acquired industry strengtheners and entered new industries compatible with our basic skills;
– made the Company better known and more highly regarded, and
– achieved solid progress in the vital area of "return on average shareholders' equity" (4.9 percent in 1969 versus 21 percent in 1979).

In summary, the business plan for the decade of the 1970's was executed about in line with the objectives set 10 years ago.

*In 1969 when the objectives were formulated, the Company was reporting all financial data in Canadian dollars. Accordingly, the objectives are as originally expressed, i.e., stated in Canadian dollars.

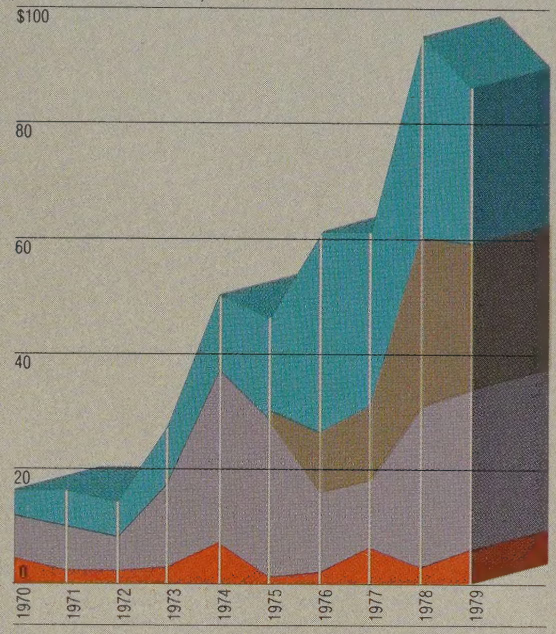
Sales and Operating Income by Product Group

Sales
(In millions of dollars)



Industrial Products Group
Special Products Group
Engineering, Construction and Steel Group
Span Group

Operating Income*
(In millions of dollars)



Industrial Products Group
Special Products Group
Engineering, Construction and Steel Group
Span Group

	Industrial Products Group		Special Products Group†		Engineering, Construction and Steel Group		Span Group		Total All Groups	
	$	%	$	%	$	%	$	%	$	%
Sales (In millions of dollars)										
1970	62	32			125	63	9	5	196	100
1971	76	32			144	62	15	6	235	100
1972	83	35			142	60	12	5	237	100
1973	101	36			160	58	18	6	279	100
1974	145	39			180	49	45	12	370	100
1975	203	44	15	3	227	50	14	3	459	100
1976	244	47	69	13	187	36	20	4	520	100
1977††	230	40	87	15	206	35	58	10	581	100
1978††	346	39	207	23	311	35	19	3	883	100
1979††	374	40	198	21	337	36	25	3	934	100
Operating Income* (In millions of dollars)										
1970	4	25			8	50	4	25	16	100
1971	6	38			8	50	2	12	16	100
1972	6	43			6	43	2	14	14	100
1973	10	37			14	52	3	11	27	100
1974	13	26			30	60	7	14	50	100
1975	16	35	1	2	28	61	1	2	46	100
1976	35	58	10	16	14	23	2	3	61	100
1977††	30	49	13	21	12	20	6	10	61	100
1978††	35	37	29	31	28	29	3	3	95	100
1979††	27	31	25	29	28	33	6	7	86	100

*Operating income as used means before corporate expense, gain on sale of assets, exchange gains or losses on the balance sheet and income taxes where applicable.

†This group was formed with the acquisition of Cherry-Burrell and DESA Industries in late 1975.

††1977, 1978 and 1979 are stated in U.S. dollars. 1976 and prior years are stated in Canadian dollars.

Industrial Products Group

Above: Attractive combination of stone and metal forms the facade of a Varco-Pruden building. This is the main entry to a principal U.S. location of a Dutch grower and distributor of tulips and other bulbous flowers.
Right: Looking like giant snails, these Dominion Bridge spiral cases will channel water to turbines for the generation of electric power at the first of the hydroelectric power stations in Quebec's James Bay complex. They were installed in a huge cavern cut from solid rock, 450 feet underground. Workmen installed the spiral cases in a dusty atmosphere as drillers continued excavation work.

With plants and offices in the U.S. and eastern Canada, this Group serves aerospace, agriculture, energy, marine, mining, pulp and paper, steel, transportation and utility markets.

Eastern Canada Division With plants or steel service centers in Quebec, Ontario, Nova Scotia and New York State, this unit manufactures engineered products for plants, waste heat boilers, incinerators, precision jet engine forgings and steel products for chemical and petrochemical plants. It also manages turnkey projects worldwide, markets and erects structural steel and bridges in eastern Canada. The Division had a most successful year. Some highlights: A unique modular fertilizer plant was completed and shipped to Sudan, a second has been booked for completion and shipment to Madagascar. Monroe Forgings and the steel service centers achieved outstanding results.

Equipment Systems Division Includes Provincial, Canada's largest crane manufacturer, Morgan, producer of overhead industrial travelling cranes, Clyde, manufacturer of Whirley cranes, Wiley, producer of vehicular tunnel tubes, work boats and crane parts. During 1979, soft markets and operating problems continued to plague the Division. Slackness in both the basic U.S. steel market served by Morgan and the offshore market served by Clyde resulted in lower-than-anticipated volume and margins. Although Morgan's 1979 business was depressed, expected higher volume, improved margins and new operating systems indicate improving results in 1980. Continued softness in offshore construction will undoubtedly hamper Clyde in 1980.

Although Provincial did not operate as efficiently in 1979 as in previous years, corrections have been made and better results are expected in 1980.

Whereas at Wiley volume was high the mix yielded poor margins. Facilities were busy with low-margin marine vessels while profitable crane parts business declined. 1980 looks promising as several major underwater highway projects are scheduled and Wiley is a leading producer of vehicular tunnel tubes.

Imodco Designs, manufactures and markets some 45 percent of the world's single point mooring systems (SPM) for mooring, loading and unloading liquid cargo ships offshore. As world demand for movement of petroleum and slurry-form cargoes continues to accelerate, Imodco is positioned to fill the need with efficient deep water SPMs. While Imodco's 1979 operating results were solid, they fell somewhat short of expectations due to unexpected delays in order placement for major installations. A strong backlog, plus bright current prospects, point to improved operating results in 1980.

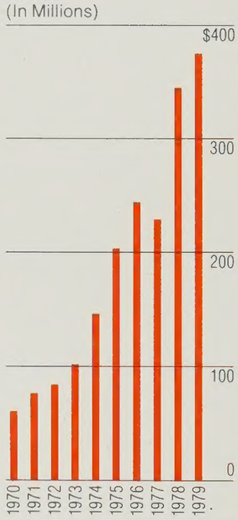
Varco-Pruden One of the world's largest manufacturers of pre-engineered metal building systems, Varco-Pruden continued its growth and again achieved record sales and earnings. It introduced KDL™ a new fade-resistant building finish. Increasing sales of standing seam roof systems prompted installation of a second production line at the Arkansas plant to augment output there and at the Wisconsin plant. Subject to the cost and availability of money in the economy, 1980 should be another growth year.

Insley Manufacturing Although first-half results were strong, this manufacturer of hydraulic excavators was progressively affected in the second half by generally sluggish activity in the markets which it serves. For reasons associated with the Company's future growth plans, Insley was sold late in 1979.

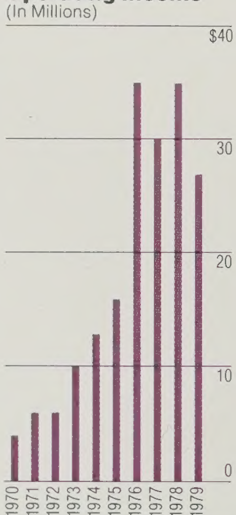
Results: Sales of $374 million were eight percent higher than in 1978 while operating income of $27 million was 23 percent lower. Steel products demand in eastern Canada was strong as was demand for metal buildings throughout North America. The Group's crane and marine terminal businesses continued to struggle with some operating problems which are still being resolved. The situation is not being helped by continuing slowness in both offshore construction and especially the steel industry. These units, which comprise the Equipment Systems Division, represent the only segment of the Company that operated at a loss.

Outlook: Operating results for 1980 are expected to approximate those of 1979. Backlog entering 1980 was $225 million which is $44 million higher than a year earlier. A generally positive outlook stems from several management changes, new marketing opportunities in hydroelectric projects due to the formation of Dominion Bridge-Sulzer Inc. (see pp. 34-35), and prospects for large orders for single point mooring systems and vehicular tunnels. Some uncertainty lingers regarding the impact of high interest rates and the general availability of capital to economically fund major projects.

Sales
(In Millions)



Operating Income
(In Millions)



1977-78-79 stated in U.S. dollars. 1976 and prior years stated in Canadian dollars.

Special Products Group

Above: Foods like these are processed with Cherry-Burrell's stainless steel Thermutator® system. This unique heat exchanger equipment is widely used for both hot and cold food processing. **Right:** This Sikorsky S-61N helicopter utilizes precision-machined parts (foreground) produced by Fenn Manufacturing. This helicopter is one of many produced by Sikorsky for service in Canada. S-61s have flown more passengers more miles than any other helicopter in the world.

With plants and offices in the U.S. and Canada, this Group serves the aerospace, automotive, capital goods, consumer, dairy, food and fluid processing industries.

Cherry-Burrell Producer of fluid processing and packaging equipment. A leading manufacturer of carton filling machines. For the fourth consecutive year since its acquisition, this unit exceeded the previous year's performance in both sales and operating income. In light of the stagnant conditions existing in the U.S. dairy industry, Cherry-Burrell expanded its international sales and increased its penetration of the food, beverage and brewery industries. A unique manifold valve cluster system has recently been installed in a highly automated brewery on the West Coast. In addition, a turnkey dairy products plant in Saudi Arabia is nearing completion. The outlook for 1980 continues to be favorable.

Engineered Fastener Division Designer and manufacturer of proprietary fasteners for the automotive, appliance and construction industries. Despite the adverse conditions prevailing in the automotive industry, this Division was able to increase its sales and maintain its profits during 1979. A major factor in the Division's favorable performance was its increased penetration of the compact automotive market. The outlook for 1980 is guarded in light of the conditions prevailing in the automotive sector.

DESA Industries Producer of Remington® chain saws and construction power tools. In sharp contrast to 1978's record performance, this unit suffered a decline in sales and earnings due to loss of a major private label chain saw account. However, sales and earnings of electric chain saws, consumer fastener products and construction tools continued the growth pattern of previous years. Several new products for the do-it-yourself market were introduced late in the year and are expected to achieve significant sales in 1980. DESA anticipates a return to normal levels of profitability in 1980 reflecting the increase in its backlog, the impact of new products and the expansion of international sales.

Fenn Manufacturing Producer of specialized metal forming machinery and precision aerospace components. Fenn achieved record sales and earnings reflecting the growth in both segments of its business. Aerospace components and machinery orders exceeded expectations, and a major expansion of plant capacity is underway. Fenn's backlog has increased 152 percent and the outlook for 1980 is excellent.

Janesville Products Manufacturer of foam automobile seats and fibrous carpet padding. This unit is highly dependent upon the automotive market. Accordingly, sales and earnings declined from the record levels posted in 1978. Sales and earnings in 1980 will benefit from the completion of its Oklahoma plant that went on stream late in 1979.

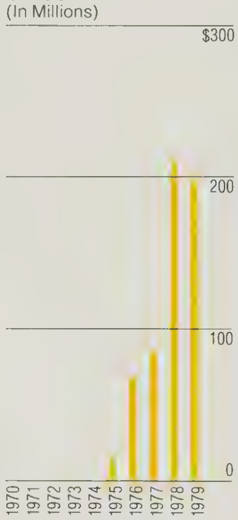
Madison Industries Designer and manufacturer of proprietary cutting tools for the metal working industry. Madison posted improved sales and earnings prior to its divestiture in late 1979.

Reliance Products A leading manufacturer of baby products including NUK® pacifiers, nipples and accessories. Sales and earnings increased markedly as a result of an aggressive advertising, merchandising and promotional campaign. Reliance expects 1980 to be a year of continued growth due to a rise in the rate of births in North America and plans for increased international sales.

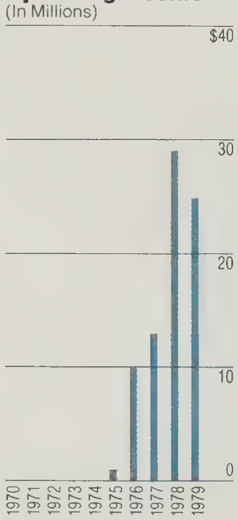
Results: The Group's sales of $198 million were relatively unchanged from the prior year. Operating income of $25 million declined 14 percent due to a second-half downturn in the automotive industry as well as both lower profits in the consumer goods sector and the divestiture of certain of its operations. Cherry-Burrell, Fenn, Madison (sold late in the year) and Reliance all reported improved performances for the year.

Outlook: The Group's backlog of orders as it enters 1980 is $50 million. This is 17 percent greater than the backlog which the Special Products Group had at the outset of 1979. Despite pessimistic economic forecasts regarding a recession in 1980 in the United States and uncertain near-term prospects for the automotive industry, the Group anticipates improved sales and earnings for the year 1980.

Sales
(In Millions)



Operating Income
(In Millions)

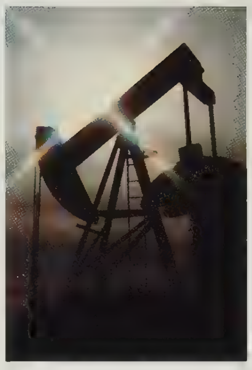


1977-78-79 stated in U.S. dollars. 1976 and prior years stated in Canadian dollars.

Engineering, Construction and Steel Group

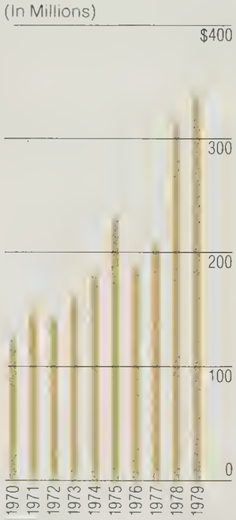
Results: Sales of $337 million were eight percent higher than in 1978. Operating income of $28 million was the same as the 1978 level with lower profits from international operations which were hampered by unsettled world conditions and project deferrals. North American operations, led by a buoyant market in western Canada and the need to upgrade existing oil refineries, had an excellent year.

Outlook: Indications are that 1980 should be another good year for the Group. In western Canada planned expenditures in forest products, mining, power generation and energy resources indicate a strong demand for its services and products. In the U.S. increased need for upgrading refineries to improve efficiency and facilitate the use of heavier crudes is continuing. Renewed use of coal for generating electric power is expected to gain momentum throughout the year with bulk transshipment and blending becoming growing markets.

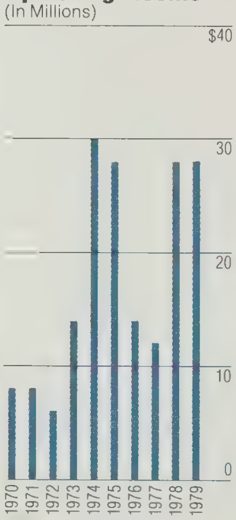


Above: Pump jacks rock day and night pumping "black gold" in Canada's western oil fields. High cost of imported crude has put new focus on increased production of domestic oil. The Company's plant in Calgary is a leading Canadian producer of this basic oil field equipment. **Right:** Unique suspension bridge, one of the longest of its kind, stands 575 feet above the Similkameen River in British Columbia's high country. Built by the Company, this $2 million bridge will transport copper ore by conveyor from a mine on one side of the river to the processing plant on the other.

Sales
(In Millions)



Operating Income
(In Millions)



1977-78-79 stated in U.S. dollars. 1976 and prior years stated in Canadian dollars.

With plants and offices in Canada, the U.S. and France, this Group serves the petroleum, chemical, bulk-material handling, mining, manufacturing and transportation industries.

The Litwin Companies Provide turnkey engineering and construction services for the petroleum and chemical processing industries both in North America and abroad.

The U.S. market was particularly strong in 1979 especially as a result of rising demand within the petroleum industry to retrofit existing refineries installing new equipment in order that they might be capable of processing the heavier domestic crude oils as the nation attempts to utilize more of its native crudes while reducing its dependence upon imported crudes. There was also an economic re-emergence of a number of small greenfield oil refineries. This demand continues into 1980 along with a mounting need for fuel substitutes and other chemicals. Jesco, an open shop contractor in the industrial, commercial and processing fields, expects a particularly strong market in the processing area for 1980.

On the international scene, Litwin S.A.'s principal market, eastern Europe, is still busy digesting a log jam of unfinished projects. Efforts to shift emphasis to the Mideast, Africa and the Far East suffered in 1979 from the general unrest that prevails in that area of the world. This caused the deferral of many projects. Although the market is expected to remain below normal in 1980, it is anticipated that this changing emphasis will result in increased contract activity.

Total backlog for the Litwin Companies is about 20 percent lower than a year ago.

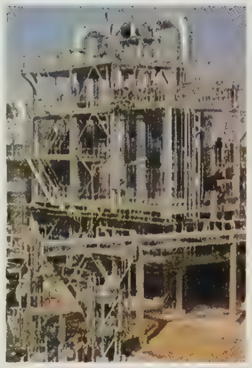
Orba Provides turnkey engineering and construction services for handling and transporting bulk materials as well as operating services for completed facilities. During 1979 Orba completed a major taconite transshipment terminal on the Great Lakes and began construction of a large iron ore pellet transshipment facility. A coal transshipment terminal was completed on the Mississippi River and Orba is participating in this operation.

Orba's prospects for 1980 are good. Along with continuing need for more efficient bulk material transportation systems is renewed interest in converting oil-fired electric power generating plants to coal. Orba is uniquely qualified to handle all aspects of this fueling situation and anticipates continuing inquiries from power companies throughout North America and the world.

Western Canada Division Operates a steel mill, four steel fabrication plants, five construction services depots and seven steel service centers in the four western provinces.

Demand for all of the products and services of the Western Canada Division was strong in 1979 and this is expected to continue into 1980. In a move to help meet increased demand for rolled steel, a $6 million upgrading project was begun and will be completed by midyear to increase output at Manitoba Rolling Mills in Selkirk by 20 percent. Ongoing expansion in forest products, mining, power generation and transmission, as well as energy resource extraction and processing, provides the Division with excellent prospects for 1980. Backlog at year-end is about 90 percent above that of a year ago.

Span Holdings Limited



Above: Carbon black production facility in Karachi, Pakistan. Engineered and constructed by Litwin S.A., the plant has a capacity to produce 10,400 metric tons of carbon black a year.
Right: Helping make possible a major expansion of Venezuela's Guri Dam are ten gantry-mounted Clyde Whirley cranes sold through Span. Cranes have boom lengths up to 210 feet and operate on tracks across the top of the dam. The expansion, an eight-year project, involves placement of some nine million cubic yards of concrete and 130,000 tons of reinforcing steel. An eleventh Whirley crane is to be delivered to the site on the Caroni River in mid-1980.

Span Holdings Limited manages a variety of business activities from its corporate headquarters in Nassau, Bahamas.

Span International Limited, a subsidiary also based in Nassau, purchases steel and other materials in world markets which it sells in North America and elsewhere around the world where it has established markets. Span International Limited also markets a variety of the products of AMCA International Corporation throughout the world. These include Varco-Pruden pre-engineered metal buildings and Clyde Whirley cranes, ship deck equipment, hoists, derricks and barges.

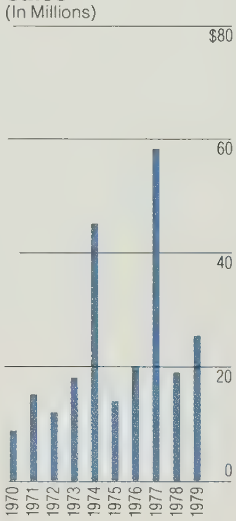
In addition to its professional buying and selling services, Span International also offers its customers consulting services in areas of business such as: international marketing, market surveys, freight, insurance and shipping services. Additionally, this organization provides marketing services to units of Dominion Bridge and AMCA International, alerting them to sales potential around the world. It has, for instance, during 1979 secured one of the first major contracts by a western hemisphere company from the People's Republic of China. This contract involves the sale of an extensive Varco-Pruden metal building system to be erected in Guangdong Province. This building will house facilities to be utilized in the manufacture of over-the-road and shipboard containers. During 1979 Span International was also instrumental in obtaining Middle East orders for cranes and buildings produced by other AMCA International units.

In 1979 sales of metal buildings and raw steel were stronger than might have been expected in light of uncertain world market conditions and import constraints imposed by the governments of Canada and the United States. Crane sales were weak due to softness in offshore oil production.

During 1979 Span utilized the resources of its new subsidiary in The Netherlands to serve as a financing source (including financing for the purchase of the products of Dominion Bridge and AMCA International). This new entity further enhances the growth potential for the total family of companies and provides additional access to world money markets.

The Span group has offices to serve world markets in Curaçao, Dubai, Greece, Holland and Switzerland and has recently established a new business entity, Imodco Cayman, to sell and install single point mooring offshore marine terminals with particular emphasis on Caribbean and Latin American markets.

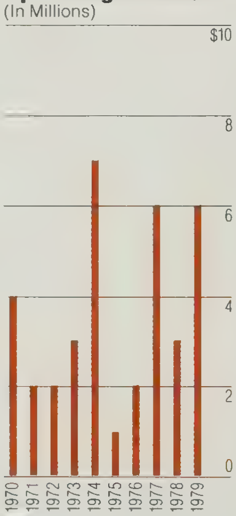
Sales
(In Millions)



Results: 1979 proved to be an excellent year despite weakness in the offshore oil market, upheaval in Middle East markets and a downturn in North American steel demands. Net income doubled and sales were up substantially over 1978. Much of the improvement in performance can be attributed to Span's successful entry into the "financing services" business noted in the 1978 annual report.

Outlook: New marketing programs aimed particularly at Latin American and Far Eastern opportunities, together with expected further growth of Span's worldwide financing programs, indicate a very substantial uptrend in results as Span enters the 1980's.

Operating Income
(In Millions)



1977-78-79 stated in U.S. dollars. 1976 and prior years stated in Canadian dollars.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Profit Improvement

Continuing profit improvement is a primary objective of the Company. Achievement of this objective is one of the accountabilities of each Company manager. Specific goals set annually are monitored at regular intervals to assure adequate efforts to reach and exceed them. Improved profits result from technology exchange, proprietary products development, quality assurance, new uses for computers, careful management of assets and capital investments.

Above: Manpower development courses are conducted at the Training Center in Montreal, shown here, as well as at other Company locations. During 1979 some 300 employees participated in development programs.
Below left: Computers play an increasingly important role in the daily operation of the Company's businesses. Shown here is the terminal equipment at Hanover which links the corporate office with the Computer Center in Memphis.

The Company achieves improved profitability in a number of ways: applied research and development, adoption of new manufacturing technology, production of proprietary products, active quality assurance programs, effective computerization, judicious asset management and enlightened capital investments.

Research and Development At its corporate R & D Center in Montreal, the Company conducts applied research to meet specific needs of the steel fabricating industry. Dominion Bridge in 1979 once again participated in an industrial research program sponsored by the Canadian government. Each unit of the Company sponsors its own R & D to meet its unique product requirements. Corporate engineering publishes a quarterly *Technical Bulletin* containing articles by Company engineers to share new ideas.

Manufacturing Technology The Company is continually alert to new, more efficient production equipment and methods. From newly acquired companies it adopts new ideas. Manufacturing management keeps up-to-date by participating in state-of-the-art programs and regular review of current published materials.

Proprietary Products As it grows by acquisition the Company seeks firms whose products are well accepted and proprietary. Through further development of these products the Company assures a strong share of market and profitability.

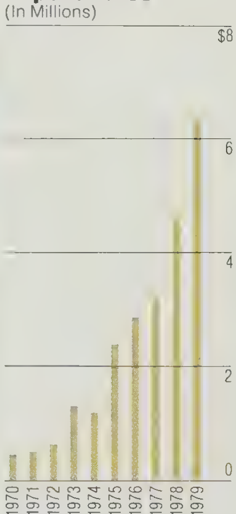
Quality Assurance This is a Company program that has come of age. Its concepts cross all disciplines within operating units to ensure that each function operates effectively with all others. QA principles are practiced to varying degrees within the Company. Presentations during 1979 and workshops in 1980 are aimed at promoting QA throughout the Company. QA includes testing raw materials quality and controls to assure finished product quality.

Computer Utilization Resources provided by the Computer Data Center in Memphis are used throughout the Company. Significant productivity gains have been achieved by many units in such diverse ways as: computerized material requirements planning, on-line information systems, computer graphics, numerically controlled manufacturing and automated engineering. Computer utilization increases productivity, improves accuracy and quality in finished products and enables improved customer responsiveness.

Asset Management The Company is dedicated to a program of optimizing return on assets by aggressively managing the investment which the Company has in any business unit. The important performance measure of each group and its key personnel in the final analysis is the return obtained on the net assets employed.

Capital Investments Recognizing the impact of capital investments on Company profitability, each projected expenditure is carefully analyzed with respect to anticipated costs and associated benefits. About one-third of such expenditures are aimed at reducing production costs – one-third represents replacement and modernization – and one-third is for increased capacity, improvement of safety, health and environmental conditions and to improve product quality. All major expenditures are audited after implementation to determine if the benefits anticipated in the original request are being achieved and to ensure that related management actions are being implemented on a timely and effective basis.

Research and Development Expenditures
(In Millions)



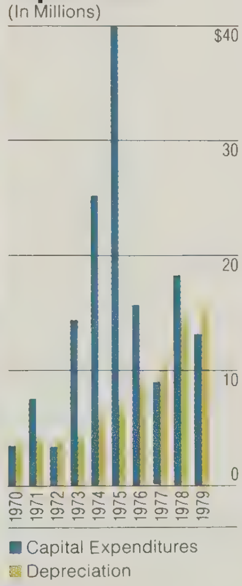
1977-78-79 stated in U.S. dollars. 1976 and prior years stated in Canadian dollars.

People: The Most Important Asset

The Company's prime asset is its people. Fundamental to corporate strategy is the attraction, retention, development and replenishment of this basic asset. This is achieved through a variety of programs in recruiting, salaries, incentive compensation, fringe benefits, manpower development, employee relations and good working conditions.

Above: Eleanor Martin, director of occupational health and safety at the Winnipeg plant, has developed unusual programs to make employees more safety-conscious. Through her efforts the plant has substantially reduced lost production time resulting from on-the-job accidents.
Below left: Charles Scott, hydroelectric design engineer, developed an engineering plan that made it possible to begin generating electric power at Hydro-Quebec's James Bay project six months ahead of schedule. He symbolizes the important asset that talented people are to the Company.

Capital Expenditures and Depreciation
(In Millions)



1977-78-79 stated in U.S. dollars. 1976 and prior years stated in Canadian dollars.

Salaries and Other Compensation The Company utilizes the Hay program of salary administration, recognized for its unique capabilities in the professional analyses of participating companies' pay scales compared with other companies to ensure competitiveness and equity. Compensation and fringe benefits are reviewed annually and compared with local and national surveys. During 1979 the Company sponsored 55 group insurance plans in Canada, the U.S. and overseas from which claims were paid totalling $6.1 million. Also, 49 pension and profit-sharing plans were sponsored by the Company paying benefits of $5.5 million.

Management Succession The Company practices a management assessment planning and development program to identify employees who can benefit from personal development. Ongoing implementation makes possible the growth of personnel to higher responsibility and assures management continuity throughout the Company.

Manpower Development Like its peers in industry Dominion Bridge recognizes a growing need for trained personnel at shop, field and professional levels. To meet these needs a training services department develops and conducts professional and skill courses. Some are presented at the Montreal Training Center, others at operating unit locations. During 1979 over 300 employees attended 26 courses at the Training Center and at six operating unit locations in North America. In 1980 new courses will be added to the supervisory and management development program including financial planning for line managers. The Company will also begin a Management Development Program in 1980 to be conducted at The Amos Tuck School of Business Administration, Dartmouth College – one of the foremost business schools in the U.S., located in Hanover, New Hampshire, site of the Company's executive offices. The first class will comprise 25 executives from diverse Company locations. Although run by Tuck professors, Company management will participate and serve as case history guest speakers.

Quarter Century Employees In 1979 all Dominion Bridge and AMCA persons employed for 25 years or more became members of a new corporate quarter century club. Similar clubs had previously been sponsored by Dominion Bridge and many of the AMCA operating units. The number of members totals 3,292 representing over 82,000 years of service.

Health and Safety Employee health and safety is a continuing concern of the Company. At each plant location there are specialists who ensure that procedures are enforced for on-the-job employee safety. During 1979 two units had no lost-days as a result of accidents.

Labor Agreements There were no legal strikes at any of the Company's operations throughout North America during the year. Eleven plant agreements were amicably reached with labor groups – eight in Canada and three in the U.S. and, in addition, a construction agreement for the Virgin Islands was consummated. Two agreements that had been scheduled to expire at Canadian locations were carried over into 1980. At the Company's plant in Janesville, Wisconsin employees voted to abandon their association with the union and elected to become a nonunion shop. In 1980 the Company expects to negotiate five expiring plant agreements in Canada and five in the U.S., as well as construction labor agreements in each Canadian province. There is renewed concern by employees toward the need for improved productivity and a sense of harmony is evolving fostered by an awareness that North American industry needs to become more competitive with foreign manufacturers to retain existing markets. The Company foresees amicable relations with labor groups continuing throughout the organization.

Dominion Bridge Company, Limited

Ten Year Statistical Summary

	1979
Operating results ($ Millions)	
Sales	934.2
Income before foreign exchange, income taxes and minority interest	78.7
Income taxes	27.8
Net income (before extraordinary items)	54.5
Extraordinary items	–
Dividends	16.5
Income retained	38.0
Financial condition and ratios ($ Millions)	
Working capital	262.8
Cash flow from operations	53.9
Net fixed assets	114.2
Depreciation	15.0
Additions to fixed assets	13.1
Long-term debt	114.8
Shareholders' equity	315.3
Return on average shareholders' equity %	21.0
Net income on sales %	5.8
Per share data ($)	
Sales	40.06
Net income	2.34
Extraordinary items	–
Dividends (Canadian dollars)	0.80
Income retained	1.63
Cash flow from operations	2.31
Equity at year end	11.84
Shareholders and employees	
Number of shareholders	4,397
Number of employees	13,336
Number of shares outstanding (Thousands)	26,630

Data for all years has been adjusted to reflect the two-for-one stock subdivisions in November 1974, October 1976 and December 1979.

1970 through 1978 have been restated to reflect the settlement with the Department of National Revenue (Note 4).

Per share data, except book value, has been calculated based on the weighted average shares outstanding during the year.

U.S. Dollars		Canadian Dollars						
1978	1977	1976	1975	1974	1973	1972	1971	1970
883.5	580.5	519.6	459.3	370.4	278.4	236.6	234.9	196.5
68.9	53.1	51.3	38.9	38.1	21.6	11.7	10.4	11.1
31.7	19.0	21.7	15.2	16.2	9.3	5.8	4.0	5.5
34.1	28.1	28.9	24.2	19.9	11.6	5.9	6.2	5.6
–	–	–	4.3	–	–	5.9	–	1.1
10.8	9.3	10.4	9.0	5.7	4.0	3.5	2.6	2.6
23.3	18.8	18.5	19.5	14.2	7.6	8.3	3.6	4.1
171.4	107.2	103.8	88.3	72.9	77.3	67.8	56.8	57.3
50.6	39.9	40.0	37.4	31.5	19.0	10.2	10.0	9.4
134.1	134.1	108.3	102.2	70.4	51.0	41.7	42.9	40.0
14.7	10.2	8.6	6.7	5.6	4.6	3.9	4.3	3.8
18.1	8.9	15.7	39.9	25.2	14.1	3.5	7.4	3.8
139.0	104.4	30.9	31.5	20.2	22.0	10.2	10.4	10.7
203.9	179.4	161.1	142.9	123.3	109.1	101.0	92.5	88.6
17.8	16.5	19.0	18.2	17.1	11.0	6.1	6.8	6.5
3.9	4.8	5.6	5.3	5.4	4.2	2.5	2.6	2.8
41.42	27.29	24.45	21.65	17.48	13.14	11.28	11.26	9.50
1.60	1.32	1.36	1.14	0.94	0.55	0.28	0.30	0.27
–	–	–	0.20	–	–	0.28	–	0.05
0.59	0.47	0.49	0.43	0.27	0.19	0.17	0.13	0.13
1.09	0.88	0.87	0.92	0.67	0.36	0.39	0.17	0.20
2.37	1.88	1.88	1.76	1.49	0.90	0.49	0.48	0.46
9.56	8.44	7.58	6.74	5.82	5.15	4.82	4.43	4.28
3,859	3,835	3,688	3,504	3,402	3,607	3,854	4,555	5,884
13,595	8,995	10,313	11,166	9,087	8,122	7,152	7,256	6,759
21,329	21,268	21,250	21,216	21,192	21,184	20,972	20,860	20,692

Appropriate adjustments have been made to reflect the December 1979 two-for-one stock subdivision.

Results

For the twelfth year in a row the Company achieved record sales and earnings. Net income at $54.5 million was up 60 percent over 1978. Included in net income are exchange losses of $5,798,000 in 1979 compared with $1,216,000 in 1978 resulting from the conversion of Canadian earnings to U.S. dollars. This exchange loss is separate and distinct from the foreign exchange loss itemized in the income statement relating to the conversion of the balance sheet of operations in Canada and France into U.S. dollars. Canadian operations enjoyed a very successful 1979 and contributed approximately 40 percent of the net results of the Corporation. Earnings per share increased 46 percent to $2.34 from the $1.60 achieved in 1978, and reflected the common share Rights Offering to shareholders in July 1979. Approximately 5.3 million shares were issued which resulted in a weighted average of 23,319,614 shares outstanding during 1979 versus 21,329,208 in 1978.

The Company began the year with a backlog of $510 million, obtained new work totalling $933 million, sold a record $934 million and finished the year with a backlog of $509 million.

Financial Position (Dividends in Canadian dollars)

Return on average shareholder equity during 1979 was 21 percent compared with 17.8 percent in 1978. Shareholders' equity of $11.84 per share increased 24 percent during 1979. Dividends were paid totalling $0.80 per share versus $0.59 in 1978, an increase of approximately 36 percent. (At a Directors' meeting held February 7, 1980 the Company announced an increase of a further 25 percent in the quarterly dividend rate and will pay $0.25 per share for the first quarter of 1980.)

After reflecting the above and some restructuring of debt during 1979, the ratio of equity to long-term debt at December 31, 1979 was 2.7-to-1 compared with a 1.5-to-1 ratio a year earlier.

Working capital increased by $91.4 million in 1979 and totalled $262.8 million at year-end resulting in a current ratio at December 31, 1979 of 1.95-to-1 compared with 1.72-to-1 a year ago. This sound position includes a record $167.7 million in cash or equivalents available to the Corporation at December 31, 1979.

The Company's effective tax rate for 1979 was only 34 percent compared to 48 percent in 1978 primarily due to a combination of four factors: a higher percentage of pre-tax earnings generated in Canada subject to lower rates than United States earnings; a substantial increase in the financial services earnings of our Netherlands subsidiary taxed at lower than prevailing North American rates; a combined effective tax of approximately 20 percent on the gain on sale of $17.3 million arising from assets disposed of during 1979; and the change in unrealized foreign exchange gain or loss included in the consolidated statement of income on which no taxes are required.

Financing

The Company continues to explore any and all arrangements that over the longer term will assure the most favorable debt to equity relationships and the minimization of related financing costs. During 1979 the Company effected a net reduction in long-term debt of approximately $25 million and arranged for new debt at attractive rates. To further strengthen an already strong position, the Company's U.S. subsidiary, AMCA International Corporation, entered into a revolving line of credit which, in conjunction with other short-term facilities, means that the Company has available approximately $250 million of borrowing capacity in addition to the cash resources referred to elsewhere above.

As with other growth companies, Dominion Bridge continuously requires capital to fund expanding activities. These funds are generated from internal sources (profits), external financing and, where prudent and consistent with growth plans, the selective disposal of existing assets. The latter source is important in optimizing "return on investment" since it permits reinvestment of the proceeds in other higher growth potential assets.

Dominion Bridge Company, Limited

Consolidated Statement of Income

Year ended December 31, 1979
(In thousands of U.S. dollars)

	1979	1978
Sales and other income:		
Sales	$934,190	$883,486
Gain on sale of assets (Notes 2 and 3)	17,272	–
Investment and other income	9,605	2,696
	961,067	886,182
Costs and expenses:		
Cost of sales and operating expenses	847,593	784,765
Depreciation	14,954	14,722
Amortization of goodwill and other intangible assets	2,506	2,058
Interest on long-term debt	12,085	12,831
Interest on short-term borrowings	5,233	2,932
	882,371	817,308
Income before foreign exchange, income taxes and minority interest	78,696	68,874
Foreign exchange (gain) loss	(3,610)	2,926
Income taxes:		
Current	18,019	20,386
Deferred	9,810	11,318
Minority interest	(50)	133
Net income	$ 54,527	$ 34,111
Earnings per share	$2.34	$1.60

Consolidated Statement of Retained Earnings

Year ended December 31, 1979
(In thousands of U.S. dollars)

	1979	1978
Balance at beginning of year		
As previously reported	$190,701	$167,149
Prior years' income taxes (Note 4)	4,774	4,505
As restated	185,927	162,644
Net income for the year	54,527	34,111
	240,454	196,755
Dividends	16,488	10,828
Balance at end of year	$223,966	$185,927

See accompanying notes.

Dominion Bridge Company, Limited

Consolidated Statement of Changes in Financial Position

Year ended December 31, 1979
(In thousands of U.S. dollars)

	1979	1978
Sources of working capital:		
Operations:		
Net income	$ 54,527	$ 34,111
Add (deduct) items not affecting working capital:		
Depreciation and amortization	17,460	16,780
Increase (decrease) in deferred income taxes (noncurrent)	(123)	1,178
Gain on sale of assets	(17,272)	–
Other	(671)	(1,492)
Working capital provided from operations	53,921	50,577
Increase in long-term debt	50,072	41,448
Proceeds from sale of assets, net of working capital of $23,042 in 1979	23,502	9,741
Issue of share capital	73,288	433
Other	625	422
Total working capital provided	201,408	102,621
Applications of working capital:		
Purchase of property, plant and equipment	13,053	18,075
Decrease in long-term debt	74,281	6,768
Dividends	16,488	10,828
Dividends – minority shareholders of a subsidiary company	–	2,000
Other	6,169	1,587
Total working capital applied	109,991	39,258
Increase in working capital	91,417	63,363
Working capital at beginning of year		
As previously reported	176,168	112,536
Prior years' income taxes (Note 4)	4,774	4,505
As restated	171,394	108,031
Working capital at end of year	$262,811	$171,394
Increase (decrease) in working capital:		
Cash and short-term deposits	$112,614	$ 25,474
Accounts and notes receivable	10,507	27,137
Inventories	16,125	8,133
Prepaid expenses	(856)	2,399
Net assets of operations to be sold	(10,822)	(298)
Bank and short-term borrowings	(10,458)	6,930
Accounts payable and accrued liabilities	(1,418)	2,056
Advances on contracts	(12,751)	(11,852)
Income taxes	(11,024)	(1,044)
Current portion of long-term debt	(500)	4,428
Increase in working capital	$ 91,417	$ 63,363

See accompanying notes.

Dominion Bridge Company, Limited

Consolidated Statement of Financial Position

As at December 31, 1979
(In thousands of U.S. dollars)

	1979	1978
Current assets:		
Cash and short-term deposits	$167,742	$ 55,128
Accounts and notes receivable (Note 1)	218,458	207,951
Inventories (Note 5)	146,297	130,172
Prepaid expenses	6,022	6,878
Net assets of operations to be sold	–	10,822
	538,519	410,951
Current liabilities:		
Bank and short-term borrowings	25,970	15,512
Accounts payable and accrued liabilities	145,962	144,544
Advances on contracts	45,312	32,561
Income taxes	6,895	5,804
Deferred income taxes	45,873	35,940
Current portion of long-term debt	5,696	5,196
	275,708	239,557
Working capital	262,811	171,394
Other assets:		
Fixed assets, less accumulated depreciation and amortization (Note 6)	114,241	134,110
Goodwill	56,830	58,282
Investment in affiliated company (Note 2)	11,567	–
Other	15,400	10,487
	198,038	202,879
Total investment	460,849	374,273
Other liabilities:		
Long-term debt (Note 7)	114,827	139,036
Deferred income taxes	25,061	25,184
Minority interest	1,647	1,697
Other deferred liabilities	4,059	4,428
	145,594	170,345
	$315,255	$203,928
Shareholders' equity:		
Capital stock – no par value (Note 8):		
Authorized – 32,000,000 shares		
Issued – 26,630,422 shares (1978 – 21,329,208)	$ 91,289	$ 18,001
Retained earnings	223,966	185,927
	$315,255	$203,928

See accompanying notes.

Notes to Consolidated Financial Statements

Year ended December 31, 1979
(In U.S. dollars)

1. Summary of Significant Accounting Policies

Consolidation. All subsidiary companies are consolidated and all significant intercompany accounts and transactions have been eliminated. The net tangible assets of businesses purchased are recorded at their fair values at the date of acquisition. The excess of purchase price over fair market value of these tangible assets is shown on the statement of financial position as goodwill and is being amortized over a period not exceeding forty years.

The investment in an affiliated company is carried at the Company's equity in the underlying net assets.

Revenue Recognition. Sales and profits relating to substantially all construction contracts are recognized on the percentage-of-completion basis; provision is made for the entire amount of expected losses, if any, in the period in which they are first determinable. Included in accounts receivable are unbilled receivables related to these contracts of $35,670,000 (1978 $45,860,000).

Currency Translation. Amounts stated in currencies other than the U.S. dollar are translated as follows:

Working capital (excluding inventories, prepaid expenses and deferred taxes relating to the use of the percentage-of-completion method of accounting) and long-term debt have been translated into U.S. dollars at the year-end rate of exchange and the remaining assets and liabilities at appropriate historical rates. Revenues and expenses have been translated at weighted average exchange rates for the year with the exception of depreciation and amortization which were based on the historical rates used for the related assets.

Gains and losses resulting from translation are reflected in the income statement currently.

Inventories. Work-in-progress related to construction contracts is stated at accumulated production costs less amounts charged to income based on the percentage-of-completion of individual contracts. Other inventories are stated at the lower of cost (average or first-in, first-out) or net realizable value.

Fixed Assets. Property, plant and equipment are recorded at cost. On disposal, any gain or loss is included in income.

Depreciation is determined principally on a straight-line basis over the estimated useful lives of the assets.

Income Taxes. Deferred income taxes are provided to record the income tax effect of timing differences in reporting transactions for financial statement and income tax purposes. Such timing differences relate principally to depreciation of property, plant and equipment, the reporting of income on construction contracts and warranty costs.

Provisions have not been made for taxes on undistributed income of foreign subsidiaries inasmuch as such income is being reinvested abroad.

Earnings per Share. Earnings per share are calculated based on the weighted average shares outstanding during the year.

2. Investment in Affiliated Company

On October 23, 1979, the Company entered into a contract with Sulzer Brothers Limited whereby, subject to certain matters which were completed as of January 29, 1980, substantially all the Company's operations conducted in the Province of Quebec and the related assets and liabilities were transferred to a newly organized subsidiary company. Concurrently, the subsidiary sold 49 percent of the total capital stock to Sulzer Brothers for $20,568,000 cash ($24,000,000 Canadian dollars), thereby reducing the Company's equity in the subsidiary to 51 percent. These transactions are reflected in the Company's consolidated financial statements for the year ended December 31, 1979. The sale of the 49 percent stock equity resulted in a non-taxable gain of $9,454,000 ($11,729,000 Canadian dollars).

The agreement with Sulzer Brothers provides for joint control and accordingly, the Company's equity in the net assets at December 31, 1979 is accounted for under the equity method of accounting.

Had the sale of the 49 percent interest taken place on January 1, 1978, under the equity method of accounting, consolidated sales would have decreased by $61,000,000 in 1979 and $76,300,000 in 1978 and consolidated net income (exclusive of the non-taxable gain of $9,454,000 on the sale of the 49 percent stock equity) would have decreased by $1,029,000 in 1979 and $3,185,000 in 1978.

3. Sale of Assets

The net assets of certain operations held for sale at December 31, 1978 were sold during 1979 with no significant gain or loss.

In addition, during 1979, the Company sold the assets and liabilities of two United States operating units. The proceeds from these dispositions were approximately $24,100,000 and the pre-tax gain was $7,818,000. Included in the consolidated statement of income for these two operations are the following amounts (in thousands):

	Years ended December 31, 1979	1978
Net sales	$34,700	$36,000
Net income	1,900	2,500

4. Income Taxes

During 1979, the Company and the Department of National Revenue agreed upon a settlement of additional taxes and interest related to the operations of a subsidiary resident in the Bahamas. This settlement, which is applicable to years 1970 through 1978, and the estimated amount for settling the same issues with various Provincial Governments, totalled $4,774,000 ($5,660,000 in Canadian dollars), of which $2,624,000 was paid in 1978 and the balance was paid in 1979. Of the $4,774,000, $269,000 is applicable to 1978 and has been charged to income for that year. The remaining $4,505,000 is applicable to years prior to 1978 and has been charged to retained earnings at January 1, 1978. The consolidated financial statements for 1978 have been restated to reflect these settlements.

Notes to Consolidated Financial Statements (Continued)

5. Inventories (in thousands)

	1979	1978
Work-in-progress	$ 45,162	$ 42,518
Steel and other supplies	84,639	66,357
Finished products	16,496	21,297
	$146,297	$130,172

6. Fixed Assets (in thousands)

	Cost	Accumulated depreciation and amortization	Net
December 31, 1979:			
Property	$ 5,595	$ –	$ 5,595
Plant	57,147	21,340	35,807
Machinery and equipment	120,701	51,513	69,188
Property under capital leases	4,376	725	3,651
	$187,819	$ 73,578	$114,241
December 31, 1978:			
Property	$ 6,899	$ –	$ 6,899
Plant	64,152	22,967	41,185
Machinery and equipment	136,461	55,298	81,163
Property under capital leases	5,312	449	4,863
	$212,824	$ 78,714	$134,110

7. Long-term Debt (in thousands)

	1979	1978
Debt of Parent Company		
10¼% debentures due 1984	$ 30,000	$ –
9% debentures due 1986	25,000	25,000
6½% sinking fund debentures Series A due 1986	3,846	6,317
Notes payable to bank, at interest rate of ¾% to 1¼% above the U.S. prime rate in Canada	–	25,000
	58,846	56,317
Debt of Subsidiary Companies		
Note payable to bank, at interest rate of 1.25% above the rate of the Federal Reserve Bank of New York, due in equal installments through 1984	18,000	–
Note payable to insurance company, with interest at 9½%, due in installments commencing in 1981 through 1992	35,000	35,000
Note payable to bank, at interest rate of 1¼% above the London Interbank Eurocurrency market rate	–	20,000
Note payable to banks, at interest rate of 109% of the U.S. prime rate	–	20,300
Obligations under capital leases (Note 10)	3,938	5,084
Other notes payable	4,739	7,531
	61,677	87,915
	120,523	144,232
Less installments due in one year	5,696	5,196
	$114,827	$139,036

7. Long-term Debt (in thousands) (Continued)

The loan agreements relating to subsidiary companies contain certain covenants with respect to working capital, net worth, leases, indebtedness, the payment of dividends and other items. All provisions of the agreements were being complied with as of December 31, 1979.

Future principal repayments on long-term debt are as follows:

1981	$ 5,270
1982	4,608
1983	4,428
1984	32,433
Thereafter	68,088
	$114,827

8. Capital Stock (in Canadian dollars)

Effective December 14, 1979, following shareholders' approval, the Company's authorized capital stock, both issued and unissued, was subdivided on a two-for-one basis as confirmed by Supplementary Letters Patent. All references to capital stock and per share amounts in the financial statements reflect this subdivision for comparative purposes.

Pursuant to a stock rights offer, 5,276,814 shares were issued for a cash consideration of $85,748,000 ($73,191,000 United States dollars).

At December 31, 1979, employee stock options were outstanding with respect to 1,378,250 shares exercisable at various dates through October 1989 at prices ranging from $6.875 to $16.65 per share and totalling $16,188,000. Exercise of these options would not materially dilute earnings per share.

Directors and officers of the Company held 1,129,750 of the total options outstanding at December 31, 1979. In 1979, 24,400 shares were issued for $111,000 cash.

9. Retirement Plans

The Company has pension plans covering substantially all employees. Pension expense was $3,904,000 and $3,690,000 in 1979 and 1978, respectively. Certain changes in actuarial assumptions and methods, as well as changes in plan provisions, were made effective January 1, 1979. The net impact of these changes on pension expense was immaterial. Pension fund assets plus accrued pension liabilities exceed the liability for past service benefits.

Notes to Consolidated Financial Statements (Continued)

10. Long-term Lease Commitments

The Company leases machinery, transportation equipment, office, warehouse and manufacturing space, over periods ranging from two to twenty-five years.

The following is an analysis of the leased property under capital leases by major classes (in thousands):

	Asset balances (Note 6) at December 31, 1979	1978
Classes of Property		
Manufacturing plant	$ 3,107	$ 3,650
Other	1,269	1,662
	4,376	5,312
Less accumulated amortization	725	449
	$ 3,651	$ 4,863

Future minimum lease payments under all leases at December 31, 1979, are (in thousands):

	Capital leases	Operating leases
1980	$ 649	$ 4,305
1981	649	3,727
1982	649	3,034
1983	643	2,590
1984	611	1,949
Subsequent to 1984	3,136	4,021
Total minimum lease payments	6,337	$ 19,626
Less: Amount representing interest	2,399	
Present value of minimum lease payments	$ 3,938	

Total rental expense for all operating leases for the years ended December 31, 1979 and 1978 was $6,795,000 and $5,891,000, respectively.

11. Remuneration of Directors and Officers

The aggregate remuneration for 1979 of the Company's seventeen directors was $385,000, including $263,000 paid by subsidiary companies. The aggregate remuneration of the Company's twenty-one officers as such was $3,085,000. Three officers were directors of the Company during the year.

12. Contingent Liabilities

A number of claims and lawsuits, including several which purport to be class actions, are pending. Several of these suits seek unspecified damages and other relief. It is impossible at this time for the Company to predict with any certainty the outcome of such litigation. However, management is of the opinion, based upon information presently available to it, that it is unlikely that any liability, to the extent not provided for through insurance or otherwise, would be material in relation to the Company's consolidated financial position.

At December 31, 1979, the Company is contingently liable with respect to $8,283,000 of receivables sold with recourse.

Auditors' Report

To the Shareholders of
Dominion Bridge Company, Limited

We have examined the consolidated statement of financial position of Dominion Bridge Company, Limited as at December 31, 1979 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Montreal, Canada
January 29, 1980

Arthur Young & Company
Chartered Accountants

Dominion Bridge Company, Limited

Consolidated Statement of Income by Quarters

(Unaudited in thousands of dollars except per share data)

	1979 December	1979 September	1979 June	1979 March	1978 December	1978 September	1978 June	1978 March
Revenues:								
Sales	$261,048	$232,308	$235,721	$205,113	$252,712	$215,982	$206,854	$207,938
Other revenues	21,505	4,000	416	956	2,058	(72)	447	263
	282,553	236,308	236,137	206,069	254,770	215,910	207,301	208,201
Costs and expenses:								
Cost of sales and operating expenses	242,574	212,523	208,501	183,995	222,326	190,284	183,108	189,047
Depreciation and amortization	4,461	4,344	4,356	4,299	6,109	3,340	3,704	3,627
Interest expense	5,348	3,920	3,944	4,106	4,315	4,250	4,237	2,961
	252,383	220,787	216,801	192,400	232,750	197,874	191,049	195,635
Income before foreign exchange, income taxes and minority interest	30,170	15,521	19,336	13,669	22,020	18,036	16,252	12,566
Foreign exchange	507	(2,224)	(446)	(1,147)	792	1,544	30	560
Income taxes	7,741	5,176	8,713	6,199	10,230	8,379	7,273	5,822
Minority interest	118	(120)	(84)	36	(28)	(58)	184	35
Net income	$ 21,804	$ 12,689	$ 11,153	$ 8,581	$ 11,026	$ 8,171	$ 8,765	$ 6,149
Per share data ($)								
Sales	$9.45	$9.94	$11.05	$9.62	$11.85	$10.12	$9.70	$9.75
Net income	.85	.55	.52	.42	.52	.38	.41	.29
Dividends (Canadian dollars)	.20	.20	.20	.20	.20	.13	.13	.13

Per share data has been calculated based on the weighted average shares outstanding during the year and has been adjusted for the December 1979 two-for-one stock subdivision.

1978 has been restated to reflect the settlement with the Department of National Revenue (Note 4).

Stock information

Year end stock prices and dividends paid.

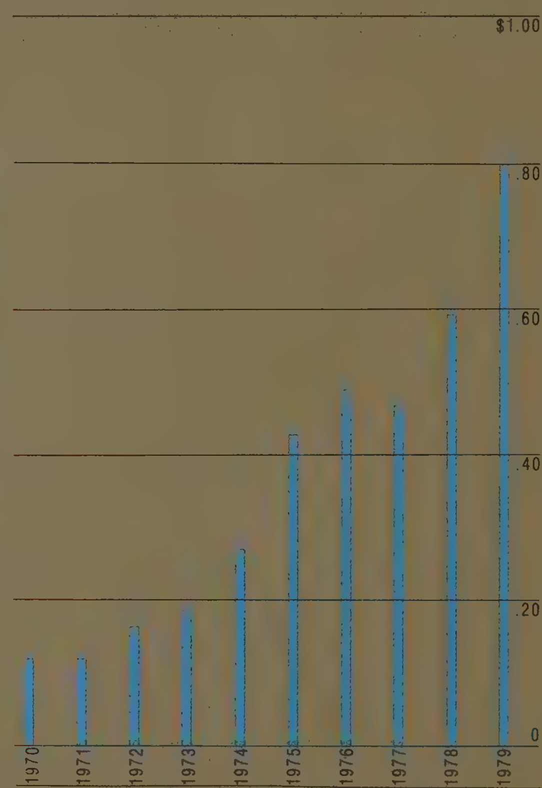
Stock exchanges
Montreal
Toronto

Transfer agents
The Royal Trust Company
(Montreal, Toronto, Winnipeg, Regina, Calgary, and Vancouver)

Registrars
Montreal Trust Company
(Montreal, Toronto, Winnipeg, Regina, Calgary, and Vancouver)

Common Stock Price
Toronto stock exchange. Close at end of December

Common Stock Dividend†



Data has been adjusted to reflect the two-for-one stock subdivisions in November 1974, October 1976, and December 1979.

†The apparent reduction in dividends in 1977 resulted from the manner in which the Company chose to pay the increase allowed by the Canadian Anti-inflation Board in late 1976.

Directors

*K.S. Barclay
Chairman and
Chief Executive Officer
Dominion Bridge
Company, Limited

Robert W. Campbell
Chairman and
Chief Executive Officer
PanCanadian Petroleum
Limited

Michael D. Dingman
President, Chairman and
Chief Executive Officer
Wheelabrator-Frye, Inc.

Jack Hatcher
President and
Chief Operating Officer
Dominion Bridge
Company, Limited

John Macnamara
President and
Chief Executive Officer
The Algoma Steel
Corporation, Limited

‡**Brian R.B. Magee**
Deputy Chairman of the
Board
Markborough Properties
Limited
Honorary Chairman
A.E. LePage Limited

John R. Meyer
Professor of
Transportation,
Logistics and Distribution
Harvard University

James E. Robison
Chairman of the Board
Narragansett Capital
Corporation
President
Lonsdale Enterprises, Inc.

†‡**Dalton D. Ruffin**
Regional Vice President
Wachovia Bank and Trust
Company, N.A.

*W.J. Stenason
President
Canadian Pacific
Investments Limited

†**H. Heward Stikeman, Q.C.**
Senior Partner: Stikeman,
Elliott, Tamaki, Mercier
and Robb

*†**R.A. Utting**
Executive Vice President
and
Chief General Manager
The Royal Bank of Canada

‡**W.G. Ward**
Chairman of the Board
The Algoma Steel
Corporation, Limited

*Member: Executive Committee
†Member: Audit Committee
‡Member: Management Resources Committee

Officers


R.E. Chamberlain
Group Vice President


R.H. Elman
Group Vice President


R.J.A. Fricker
Senior Vice President


W.R. Holland
Senior Vice President
Administration


J. Ottmar
Senior Vice President


J.B. Phelan
Group Vice President


F.J. Stevenson
Senior Vice President
Finance

Principal Corporate Officers

K.S. Barclay
Chairman and Chief Executive Officer

J. Hatcher
President and Chief Operating Officer

Senior Corporate Officers

A.B. Bjornsson
Senior Vice President
Engineering and Manufacturing

R.E. Chamberlain
Group Vice President

R.H. Elman
Group Vice President

R.J.A. Fricker
Senior Vice President

W.R. Holland
Senior Vice President, Administration

J. Ottmar
Senior Vice President

J.B. Phelan
Group Vice President

F.J. Stevenson
Senior Vice President, Finance

Other Corporate Officers

J.A. Davis
Vice President, General Counsel

J.H. Frost
Vice President, Computer Services

R.A.C. Henry
Secretary

R.W. Johnson
Assistant Treasurer

E.J. McDonald
Controller

R.A. Reid
Vice President, Manufacturing

F.H. Roland
Vice President, Finance

H.S. Tamaki
Vice President, Human Resources

J.B. Twombly
Treasurer

Major Subsidiary Company Officers

K.S. Barclay
Chairman and Chief Executive Officer
AMCA International Corporation, U.S.A.

J. Hatcher
President and Chief Operating Officer
AMCA International Corporation, U.S.A.

G.A. Law
Chairman
Span Holdings Limited, Nassau, Bahamas

B.J. Barbour
President and Chief Executive Officer
Span Holdings Limited, Nassau, Bahamas

Subsidiary and Affiliated Companies/Group and Divisional Management

Subsidiary and Affiliated Companies

AMCA International Corporation,
Hanover, New Hampshire, U.S.A.
- AMCA Heavy Equipment Limited
- Amtel, Inc.
  - Amtel Metals Corporation
  - Imodco International Inc.
  - The Litwin Corporation
  - Litwin Engineers & Constructors, Inc.
  - Litwin, S.A.
  - Orba Corporation
  - Reliance Products Corporation
- Cherry-Burrell Corporation
- DESA Industries, Inc.
- DESA Industries of Canada Ltd.
- DESA International, Inc.
- Jesco, Inc.

AMCA Netherlands B.V.
Amsterdam, Netherlands

Span Holdings, Limited,
Nassau, Bahamas
- Span International Limited
- Span International B.V.
- Span International (Bermuda) Limited
- Span Enterprises Limited
- Amphion International, N.V.

ECAN Limited,
Quebec, Quebec, Canada

Manitoba Rolling Mills (Canada) Limited
Selkirk, Manitoba, Canada

Industrial Products Group

*Clyde Iron
P.D. Runquist, General Manager
"Whirley" cranes, hoists, car pullers, derricks, bulk material unloaders, winches

Dominion Bridge – Eastern Canada Division
J.R. Irwin, Vice President
Specialty forgings, incinerators, hydraulic gates, waste heat boilers, nuclear reactor components, pressure vessels, welded wide flange beams and steel grating, turnkey construction services, steel service centers, structural steel and bridges

Imodco
B. Frankel, President
Single point mooring offshore marine terminal systems

Monroe Forgings
J.A. Mancini, President
Rolled forgings; forged bars, shafts, blocks, discs and pinions; shaped tool and die forgings

*Morgan Engineering
V.S. Grater, Vice President and General Manager
Industrial overhead cranes, steel mill equipment

*Provincial Crane
J. Graham, Vice President and General Manager
Bridge and gantry cranes

Varco-Pruden
R.C. Kelley, President
Pre-engineered non-residential metal buildings

*Wiley Manufacturing
J.L. Paquette, General Manager
Barges, tugboats, vehicular tunnel tubes, dredges, special steel fabrications

*Equipment Systems Division
V.L. Martin, President

Engineering, Construction and Steel Group

Dominion Bridge – Western Canada Division
K.R. Ebbern, Vice President
Rolling mill products – bars and light structural sections, pole line hardware, rebar, transmission towers, buildings, bridges, platework products, construction services, steel service centers

Litwin Engineers & Constructors, Inc.
R.L. Bradley, President

Litwin, S.A.
H. Katz, President

The Litwin Corporation
J.E. Rhorer, President
Design and construction services to worldwide petroleum and chemical processors

Orba Corporation
A.T. Yu, President
Bulk material handling and transportation systems

Jesco, Inc.
T.E. Staub, President
Industrial and commercial building construction and maintenance services

Special Products Group

Cherry-Burrell
G.J. Remus, President
Processing and packaging equipment for fluid handling industries

†Continental Screw
A.D. Bancroft, President
Specialized threaded fasteners for automotive, construction and industrial markets

DESA Industries
D.R. Axtell, President
Remington chain saws, portable power tools

Fenn Manufacturing Company
A.S. Nippes, President
Precision aerospace components, metal forming machinery

Janesville Products
M.E. French, President
Urethane foam products and non-woven fibrous material for the automotive industry

†Midland Screw Company
R.E. Riker, President
Specialized threaded fasteners for automotive, construction and industrial markets

Reliance Products
A. Chrones, President
Baby products

†Engineered Fasteners Division
A.D. Bancroft, President

Span Holdings Limited

B.J. Barbour, President
Manages a variety of worldwide investments and provides financial services; its Span International operation markets in most of the world high technology products, including some manufactured by AMCA, and purchases raw steel for re-sale.

Dominion Bridge-Sulzer Inc.

Above: Escher Wyss thrust bearings are designed and manufactured with the utmost care in order to assure minimum friction characteristics and maximum cooling when they operate at the high speeds of rotation of water turbines.
Right: The Sulzer reputation for excellence in precision machining is respected the world over. Shown here is an operator running a highly specialized machine to manufacture the movable blades on a gigantic hydraulic turbine. Many machines used in the production of Sulzer products have been designed by the company to make possible its unique products for industry.

Dominion Bridge has formed a new company and entered into a joint undertaking with Sulzer Brothers Limited of Winterthur, Switzerland. Plans for formation of the new company, Dominion Bridge-Sulzer Inc., were made public in 1979.

Headquartered at the plant in Lachine (Montreal), where Dominion Bridge began its first manufacturing operations nearly one hundred years ago, the new company consists of substantially all of Dominion Bridge's business facilities located within the Province of Quebec. Sulzer purchased a 49 percent interest for $24 million (Canadian) cash.

Products for Hydro Power Dominion Bridge and Sulzer, in their new association, will manufacture both the products that have for many years been produced at Lachine by Dominion Bridge (hydraulic gates, penstocks, spiral cases, fabricated heavy platework and high technology products for power generation) as well as Sulzer's line of hydraulic equipment, including water turbines for hydroelectric power generating systems. Dominion Bridge-Sulzer Inc. will market its products throughout Canada and the United States and in due course will expand its product line to include even more of the extensive range of Sulzer products.

Introduction of the manufacture of Escher Wyss water turbines and other hydraulic equipment to the Lachine plant is a highly attractive move for both companies – recognizing the rising market demand for such products stemming from the present world petroleum situation. There is a high level of compatibility among the engineering, marketing and manufacturing personnel of Dominion Bridge and Sulzer. Each partner in the new company brings unique strengths to add to those of the other.

Sulzer – An International Leader Sulzer Brothers Limited, ranked number 160 in the *Fortune* listing of the 500 largest industrial corporations outside the United States, is a general engineering and manufacturing company established in Switzerland in 1834. It operates plants in 13 countries and produces a wide range of high technology industrial equipment.

Major Contract Launches Dominion Bridge-Sulzer The new company has announced a major contract from the Tidal Power Corporation of Nova Scotia for a large diameter Straflo hydraulic turbine – the largest of its type in the world. This prototype will be manufactured at Lachine and be installed at Annapolis Royal to harness the unusual tides of the Bay of Fundy that surge into the Annapolis Basin. The Straflo turbine incorporates a horizontal flow configuration which suits it ideally for harnessing tidal and river currents.

New Strengths – New Horizons Formation of Dominion Bridge-Sulzer Inc. brings new strength to the two participating companies, helps the growth of Quebec's economy and introduces new domestic hydroelectric equipment production capabilities to North America.

A new company is formed: Dominion Bridge-Sulzer Inc. – a joint undertaking with Sulzer Brothers Limited of Switzerland. Headquartered at Lachine (Montreal) – consists of substantially all Dominion Bridge business within Quebec. To continue manufacturing Company's traditional Lachine products plus Sulzer's Escher Wyss water turbines. Major contract in hand for largest-ever prototype turbine to harness Fundy tides to generate electricity for Nova Scotia. New business potential throughout North America.

Dominion Bridge Company, Limited

Dominion Bridge Company, Limited
1155 Dorchester Boulevard West,
Montreal, Quebec H3B 4C7

Incorporated under the Companies Act of Canada, 30th July, 1912. (As successor to a company of the same name incorporated 1882.)

Shareholders' Meeting

The annual and special general meeting of shareholders will be held in the auditorium of The Royal Bank of Canada, Place Ville Marie, Montreal, on Tuesday, April 29, 1980, at 11:30 a.m.

Other Reports Available

Copies of previous annual reports and quarterly statements and the latest pictorial review *The World of Dominion Bridge/AMCA* may be obtained by writing to the Secretary, Dominion Bridge Company, Limited, 1155 Dorchester Boulevard West, Montreal, Quebec H3B 4C7

Rapport Annuel 1979

Si vous désirez recevoir un exemplaire de ce rapport, des rapports précédents et des sommaires des résultats trimestriels en français, veuillez vous adresser au secrétaire, Dominion Bridge Company, Limited, 1155 ouest, boulevard Dorchester, Montréal, Québec H3B 4C7

Transfer Agents

The Royal Trust Company
(Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver)

Registrars

Montreal Trust Company
(Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver)

Bankers

The Royal Bank of Canada
Wachovia Bank and Trust Company, N.A.
Bank of Montreal
Continental Illinois National Bank and Trust Company of Chicago
Dartmouth National Bank of Hanover
First National Bank of Boston
Industrial National Bank of Rhode Island
Mellon Bank, N.A.
Security Pacific National Bank
Toronto Dominion Bank

Stock Exchanges

Montreal
Toronto

Right: High grade steel rings, produced by Monroe Forgings, are tempered in forging furnace at temperatures to 2200 degrees Fahrenheit. Rings are used in the manufacture of precision aircraft parts and may be as large as 72 inches in diameter.

Dominion Bridge Company, Limited

1155 Dorchester
Boulevard West,
Montreal, Quebec
H3B 4C7

update

DOMINION BRIDGE COMPANY, LIMITED JULY 1979

Six Month Sales and Earnings Reach New Highs

(Summary of unaudited consolidated results for the six months ended June 30, 1979—stated in U.S. dollars except as otherwise noted.)

To the Shareholders:

Sales and other revenue of $442 million for the six months ended June 30, 1979 compared with $416 million in the same period last year.

Net income totalled a record $20 million or $1.88 per share versus $14.9 million or $1.40 per share in the first six months of 1978, an increase of 34 percent. The latest results are after exchange adjustments set forth in Notes 1 and 2 to the accompanying statements. If, for comparison purposes, exchange considerations are disregarded, earnings from operations improved 26 percent.

Backlog at June 30, 1979 amounted to $518 million versus $524 million a year ago.

The Company is currently granting Rights to shareholders of record July 25, 1979 to subscribe for new common shares in accordance with particulars recently mailed to you. If the Rights are fully exercised, which we recommend, the issue will result in the issuance of about 2,700,000 shares. The estimated proceeds of $85 million (Canadian) will increase the Company's equity base enhancing the financing of previously referred to acquisition plans. Related to the latter, AMCA International Corporation, the Company's U.S. affiliate, has just completed debt arrangements to raise $125 million, thus increasing the cash pool available for expansion purposes to an amount exceeding $200 million.

In other recent developments, the Company—

- made an investment of about $6½ million (Canadian) to purchase approximately 11 percent of the common shares of CAE Industries Ltd.
- is proceeding with plans to expand steel rolling mill facilities in Manitoba at a cost of approximately $6 million (Canadian).
- reached a settlement with Revenue Canada relating to operations since 1969 through 1978 of Span International Limited, a 60 percent owned subsidiary resident in the Bahamas. We are pleased that the long standing differences of opinion have been resolved which clears the way for Span to continue to supply Dominion Bridge as an entity separate and distinct from Dominion Bridge and acknowl-

Continued on Page 3

To Update You

With this first issue of UPDATE the Company is initiating a newsletter whose purpose is to provide present and prospective shareholders with current information about the activities of Dominion Bridge and its wholly-owned U.S. subsidiary, AMCA International. UPDATE will be published quarterly as the official Company medium to inform shareholders of quarterly earnings. It will replace the traditional quarterly report format used by the Company. It may also be published at other times during the year when Company news of special significance occurs. It is hoped that you will find UPDATE to be a help in keeping you better informed about the Company's progress.

Summary of Unaudited Consolidated Results

For the six months ended June 30, 1979
(Stated in thousands of U.S. dollars)

	June 30, 1979	June 30, 1978
Revenues		
Sales	**$440,834**	$414,792
Investment and sundry income	**1,372**	710
	442,206	415,502
Cost and expenses		
Cost of sales and operating expenses	**392,496**	372,155
Depreciation and amortization	**8,655**	7,331
Interest expense	**8,050**	7,198
	409,201	386,684
Income before foreign exchange, income taxes and minority interest	**33,005**	28,818
Foreign exchange loss (gain) (Note 1)	**(1,893)**	590
Income taxes	**14,912**	13,095
Minority interest loss (gain)	**(48)**	219
Net income (Note 2)	**$ 20,034**	$ 14,914
Earnings per share	**$ 1.88**	$ 1.40

Notes:

(1) The exchange loss (gain) results from conversion of the balance sheets relating to operations in Canada and France into U.S. dollars.

(2) Included in net income are exchange losses of $1,643,000 in 1979 and $234,000 in 1978 resulting from conversion of Canadian earnings to U.S. dollars.

Summary of Unaudited Consolidated Financial Position

As at June 30, 1979
(Stated in thousands of U.S. dollars)

	June 30, 1979	Dec. 31, 1978
Current assets		
Cash	$ 39,308	$ 55,128
Other	375,876	358,447
	415,184	413,575
Current liabilities	242,978	237,407
Working capital	172,206	176,168
Fixed assets	132,064	134,110
Goodwill	57,556	58,282
Other assets	11,627	10,487
Total investment	373,453	379,047
Long-term debt	120,715	139,036
Other liabilities	31,302	31,309
	$221,436	$208,702
Shareholders' equity:		
Capital Stock	$ 18,028	$ 18,001
Retained Earnings	203,408	190,701
	$221,436	$208,702

Continued from page 1
edged as such by Revenue Canada. Full details of the settlement are being worked out and will be announced in October 1979 in the third quarter Report to Shareholders. The settlement will not result in any adjustment to current year's earnings.

A dividend of 40 cents (Canadian) per share for the third quarter of 1979 was declared at a Directors' Meeting held today payable September 28, 1979 to shareholders of record at the close of business on September 7, 1979.

K. S. Barclay

Kenneth S. Barclay
Chairman and
Chief Executive Officer

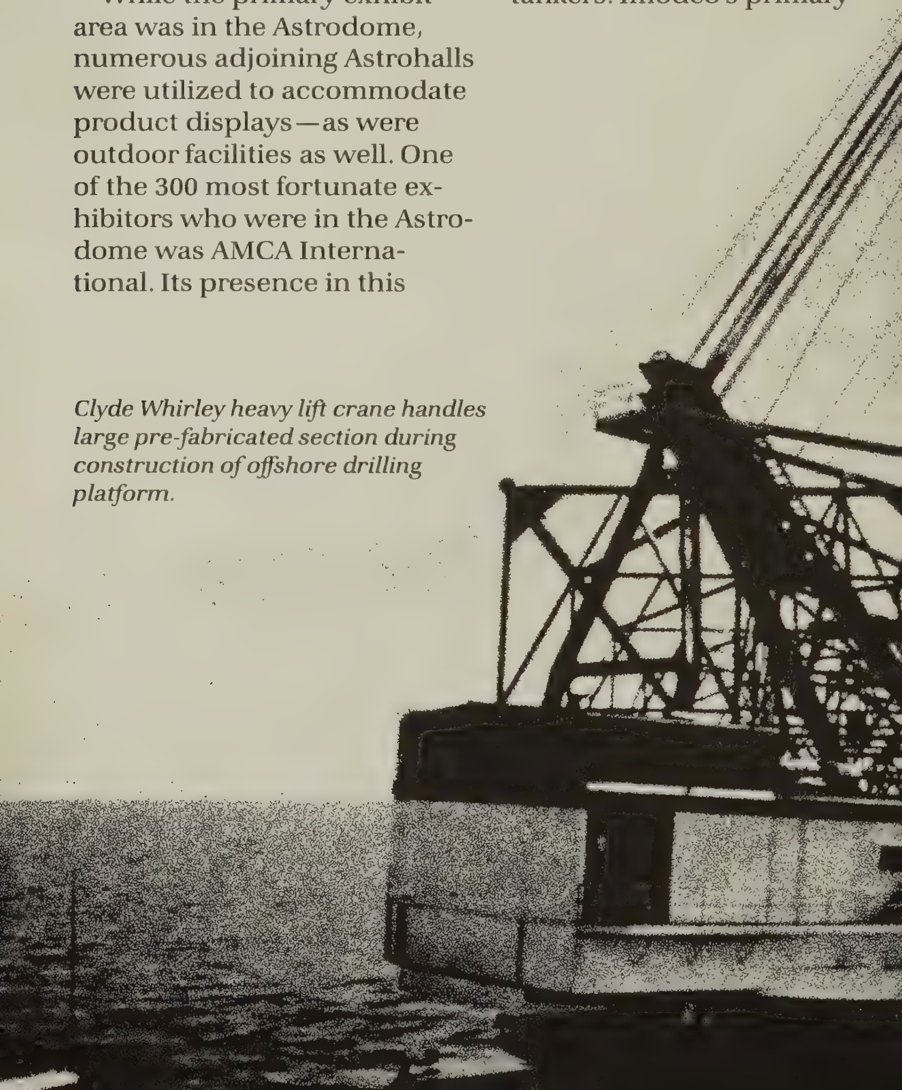
July 23, 1979

Petroleum Industry Views AMCA Offshore Products at Texas Show

What in the fall of the year is one of the world's most enormous indoor football stadiums—the famed Houston Astrodome—in May was the scene of one of the world's most spectacular trade meetings: The Offshore Technology Conference (OTC). With world petroleum production uppermost in the minds of everyone these days, this, the eleventh OTC, attracted the largest attendance ever—80,000 high-powered attendees from 90 countries—all bent upon learning about all that is new in the offshore petroleum business. For the four days of OTC some 2,000 exhibits jammed the ten acres of floor space, some $500-million worth of equipment was on display, and 270 scientific papers were presented.

While the primary exhibit area was in the Astrodome, numerous adjoining Astrohalls were utilized to accommodate product displays—as were outdoor facilities as well. One of the 300 most fortunate exhibitors who were in the Astrodome was AMCA International. Its presence in this choice location was made possible due to the fact that Imodco, its offshore marine terminal subsidiary, is a charter participant in OTC, having exhibited in each of the eleven conferences since the inception in 1968. Under the AMCA pennant were exhibits of Imodco, Clyde, and Wiley products. Manning the exhibits were sales engineers from each component.

Imodco exhibited its Catenary Anchor Leg Mooring Terminal (CALM), its Single Anchor Leg Mooring Terminal (SALM), and its supply boat bow mooring system. It also introduced at OTC its storage production terminal used to make possible permanent offshore floating facilities for the processing, and both on- and off-loading of crude oil to tankers. Imodco's primary

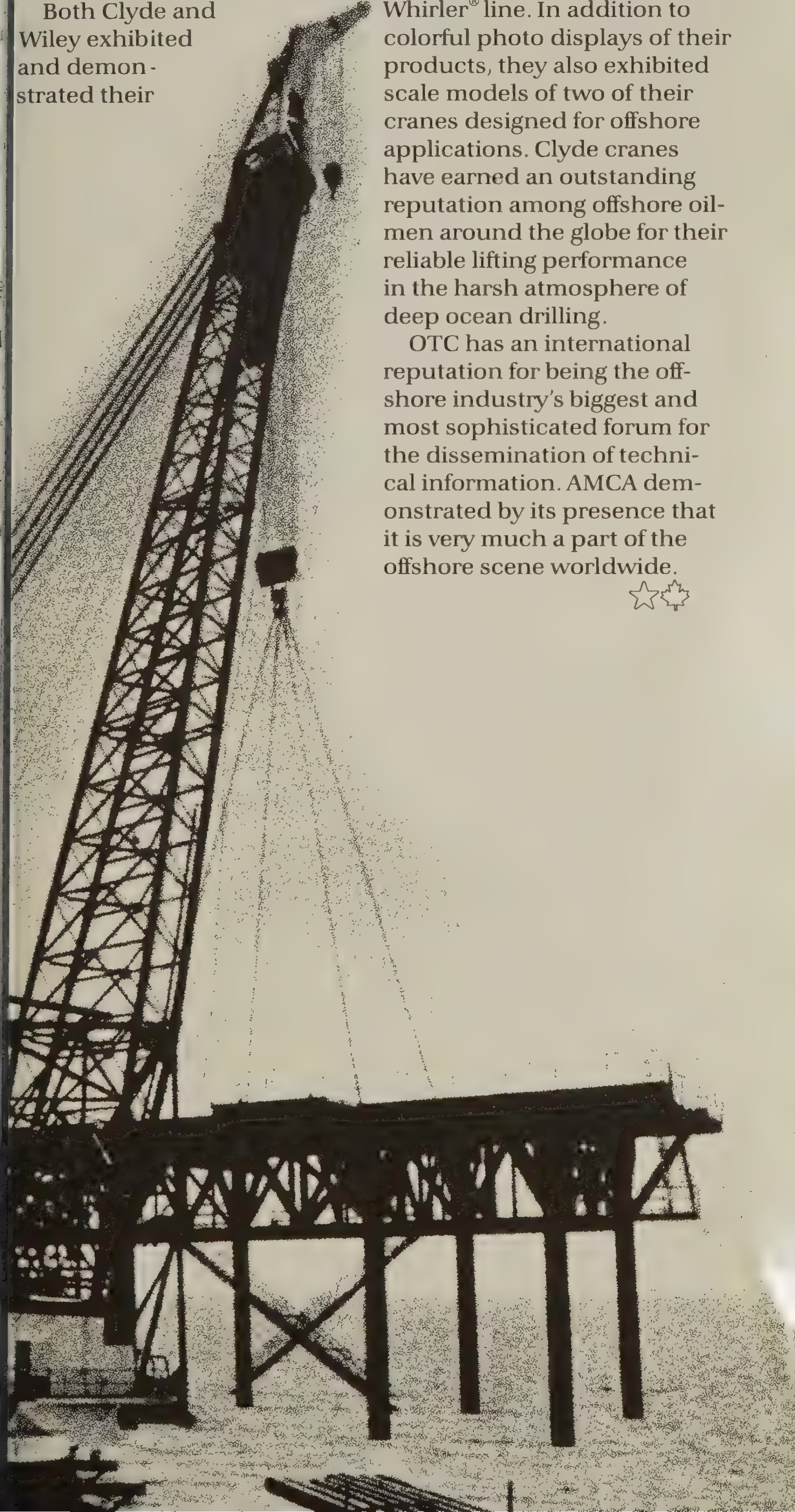


Clyde Whirley heavy lift crane handles large pre-fabricated section during construction of offshore drilling platform.

product, the SPM (single point mooring) system, also played a major role in the exhibit. (see PROFILE: IMODCO, page 8)

Both Clyde and Wiley exhibited and demonstrated their unique lines of offshore heavy lift cranes for both barge and platform mounting including Clyde's famed Whirley and Sea Whirler® line. In addition to colorful photo displays of their products, they also exhibited scale models of two of their cranes designed for offshore applications. Clyde cranes have earned an outstanding reputation among offshore oilmen around the globe for their reliable lifting performance in the harsh atmosphere of deep ocean drilling.

OTC has an international reputation for being the offshore industry's biggest and most sophisticated forum for the dissemination of technical information. AMCA demonstrated by its presence that it is very much a part of the offshore scene worldwide.



Significant New Contracts

In recent weeks Dominion Bridge/AMCA units have booked a number of notable contracts with customers throughout North America and internationally. A sampling of some of the more significant among them includes:

$24,000,000

Design, procurement and construction by Litwin Engineers & Constructors of new processing units for Asamera Oil Inc. at Commerce City, Colorado.

$2,000,000

Erection of several buildings by the Quebec Branch of Dominion Bridge for Alcan as part of a project in Grande Baie, Quebec.

$1,700,000

Supply structural steel by Robb Engineering for construction of an alumina plant for Alumina Contractors, Ltd. in Aughinish, Ireland.

$1,100,000

A 200-ton capacity barge-mounted Whirley crane by Clyde Iron for Timsah Shipbuilding Corporation of Ismailia, Egypt.

$2,000,000

Supply and erection of structural steel by Dominion Bridge's Toronto Branch for the new Massey Hall, Toronto's unique new concert facility.

$1,700,000

Three custom-designed hot metal cranes by Morgan Engineering for Granite City Steel Co., Granite City, Illinois.

$22,000,000

Prime contracting the construction of a taconite pellet transshipping facility by Orba for Republic Steel Corporation on Lake Erie at Lorain, Ohio.

The facility will handle 6 million tons of pellets a year and will include a 1700-foot dock and highly automated multi-conveyor system.

$1,400,000

20 hydraulic backhoes by Insley Manufacturing for AFTC Machine, Inc. in Damascus, Syria.

$2,200,000

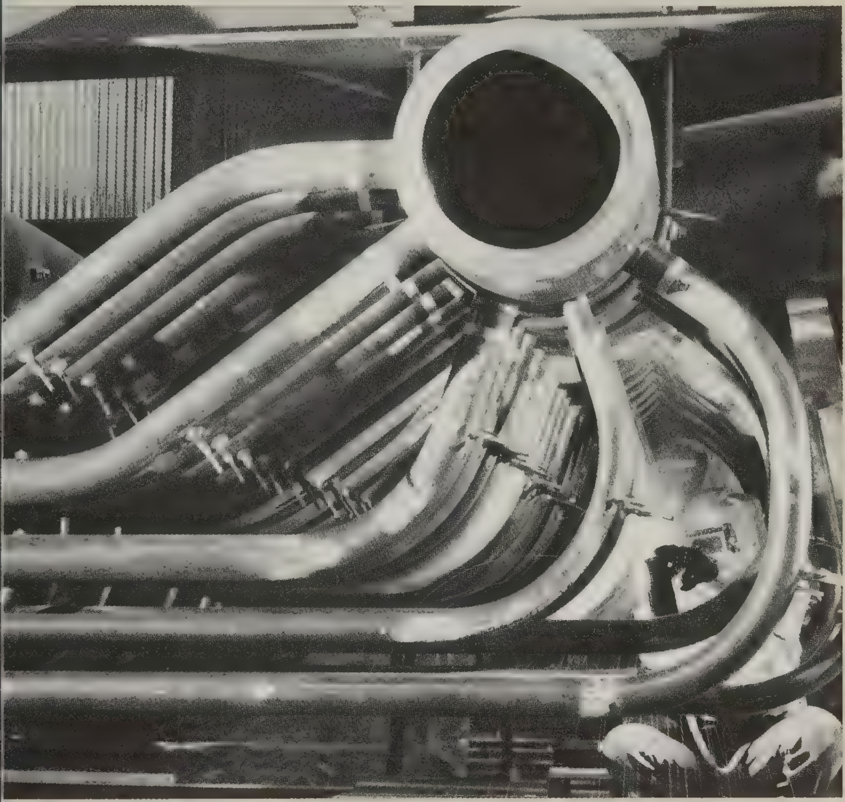
A single point marine mooring terminal system by IMODCO for Dubai Petroleum Company to be shipped from Singapore for installation at Dubai Petroleum's Fateh Field in the Persian Gulf.

$2,000,000

Design and construction of catalytic polymerization unit and support facilities by Litwin Engineers & Constructors for Plateau, Inc., an Albuquerque, New Mexico refiner.

$4,000,000

Supply and erection of structural steel by Dominion Bridge's Ontario Branch for General Motors of Canada Ltd. for a new paint facility at Oshawa, Ontario.



SEA CREATURE? No—part of a $2.5 million feeder tube assembly being fabricated at the company's Montreal plant. (Note welder at work within the "creature" at right) The 380 tubes in this unit will provide cooling for a 600 megawatt nuclear reactor being supplied by Atomic Energy of Canada, Limited for export to Korean Electric Company. In addition to this complex feeder tube unit, the company is producing the pressurizer, de-gasser and Gadolinium vessel which will also be part of the total CANDU system to be shipped to Korea. The completed power generating station will have the capability of supplying electric power to a city of approximately 300,000.

$3,000,000

Project management services by Dominion Bridge's Quebec Branch connected with installation of piping and equipment in the service and turbine buildings for Argatom, Argentina. Project is part of a new AECL 600 Mw nuclear power generating station under construction at Embalsi, Cordoba, Argentina.

$4,000,000

Construction by Jesco, Inc. of a new People's Bank & Trust Company in Tupelo, Mississippi.

$3,000,000

Design and construction of an IMODCO single point marine terminal mooring system for ETPM for installation near Qua Ibo, Nigeria.

$2,200,000

Design and construction of a catfish feed manufacturing facility by Jesco, Inc. for Delta Western Chemical, Inc. in Indianola, Mississippi.

Profile: IMODCO

Petroleum shortfalls and skyrocketing gasoline costs have captured front page interest in the press. IMODCO, a unit of AMCA headquartered in Los Angeles, supplies the oil industry with products to help speed the flow of petroleum products while reducing handling costs.

IMODCO's product is a single point mooring (SPM) system, a highly complex combination of deep water mooring plus an efficient means of loading and offloading liquid cargoes from oil tankers.

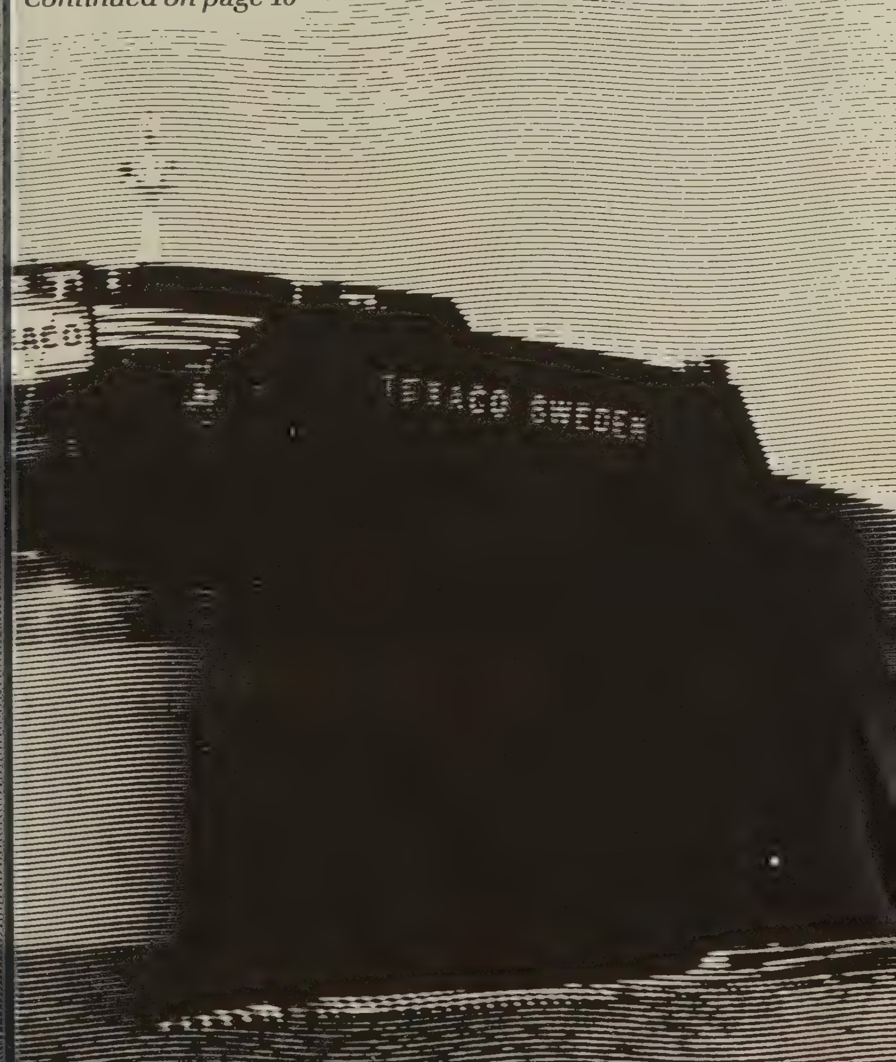
As demands have grown for oil products so have ship sizes. In 1945 a large tanker was 600 feet long. Today a large tanker is over 1200 feet long, can require 90 feet of navigable depth and takes up to five miles to come to a full stop! Traditional ship loading and unloading required bringing a ship to safe harbor and securing it to a pier. With the advent of supertankers it has become necessary to dredge harbors and build complex jetties—all of which takes time and vast amounts of money. Bringing a supertanker to dock requires numerous skillfully maneuvered tugboats. And, with their sluggish handling characteristics, supertankers can be accident-prone in the confined space of a harbor—not to mention the ecological problems that can result. An alternative approach involves the costly and time-consuming transfer of the supertanker's cargo to smaller link lighters which ferry the oil to shore. A major oil company estimates that if its tanker fleet, which makes approximately 13,000 port calls a year, could spend *just one hour* less per ship in each port call—the company would save $3.5 million!

IMODCO's SPM is installed at ocean depths ample to accommodate the largest supertanker and allow it to ride out heavy seas and foul weather while loading or unloading. Mooring is accomplished by the ship's master without tugs. Once securely moored, high velocity discharging hoses extending from submarine pipelines to the SPM are attached to the supertanker and loading or offloading is begun.

While primary users of SPMs are oil companies, applications appear limitless with regard to the loading or discharging of other types of liquid or slurry-form cargoes. Present customers for IMODCO products read like a who's who of the international oil industry and at year-end 1978 IMODCO was supplying 45% of the world SPM market.

Continued on page 10

Bernard Frankel, president and chief operating officer of IMODCO, is a pioneer in the offshore marine terminal industry. A licensed master mariner and graduate of two leading U.S. maritime academies, Mr. Frankel has authored numerous papers on the subject of offshore terminals for supertankers and is recognized internationally as an authority in the field. He has served for over 17 years as an executive of IMODCO and its predecessor Swedish company.



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SPMs are needed where crude oil is loaded into tankers and where it is finally discharged. As a result, IMODCO people are regularly in far corners of the globe surveying prospective customer needs, overseeing the fabrication of SPMs, installing new SPMs, providing preventive maintenance to existing units or repair services as needed. IMODCO SPMs can be found in Nigeria, Trinidad, Indonesia, Okinawa, Morocco, Abu Dhabi, Qatar, Korea, Mexico, Cameroons and the list goes on.

While SPM is the primary product of IMODCO, this offshore marine terminal company is also heavily involved in the design and engineering of such kindred products as offshore production and storage systems, supply boat base mooring systems and floating liquefaction and regasification terminals.

IMODCO prides itself in having the know-how, experience and integrity that have made it possible for it to have achieved world leadership in the offshore marine terminal mooring business. At its California headquarters, IMODCO works independently and in joint ventures with other companies improving present systems and developing new systems.

President Frankel has said of IMODCO, "As the worldwide search for petroleum reserves continues, our research and development engineers are at work designing, simulating, model testing and evaluating new terminal concepts to be ready for water depths of 1,000 feet, 3,000 feet and beyond, in areas of the world not yet explored."

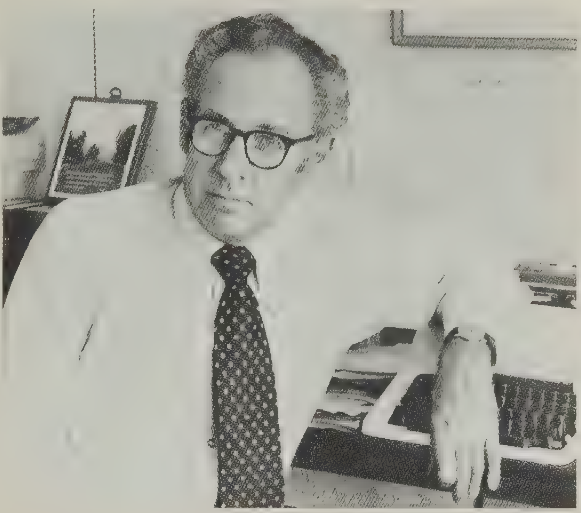
Professional Focus on Political News Over Vermont ETV.

For the third consecutive year Dominion Bridge and AMCA International are jointly underwriting the highly popular weekly TV news program, *Washington Week in Review*. As a public service to New Englanders and Quebecers alike, the program can be seen on Vermont ETV each Friday evening at 8:00 p.m. It can be viewed on over 500,000 TV sets within Vermont, New Hampshire and Quebec. In Vermont and parts of New Hampshire it can be seen on UHF channel 33. Montrealers can see it on Cable TV/6, National Cablevision/17 or Videotran/18.

Washington Week in Review has earned an enviable reputation as the longest running PBS program on record—uninterrupted since it began in 1969. Its Moderator since 1974 is Paul Duke, senior correspondent for public television in Washington, D.C. Under Mr. Duke's guidance the

program recently won the Alfred Du-Pont-Columbia University Award for outstanding journalistic achievement as well as several local Emmy awards.

Each week's edition of *Washington Week in Review* features a panel of four of the nation's leading journalists who discuss the top political news on the Washington scene of the past week. Each panelist is selected by Mr. Duke for his or her special expertise on the hottest political news of that week. Panelists who have become regulars on the program include: Lyle Denniston *(Washington Star)*, Hedrick Smith *(New York Times)*, Haynes Johnson *(Washington Post)*, Albert Hunt *(Wall Street Journal)*, Martha Angle (Newspaper Enterprise Association), Jack Nelson *(Los Angeles Times)*, and Charles Corddry *(Baltimore Sun)*. Moderator Duke said of the program, "Our duty is to inform rather than entertain, so we look for a good mix of people and a good flow to the discussion to keep the people interested." As opposed to nightly commercial television news, characterized by Duke as, "an illustrated headline service," *Washington Week in Review* is an in-depth half hour discussion during which Duke and his panelists bring focus and meaning to the week's political news from Washington.

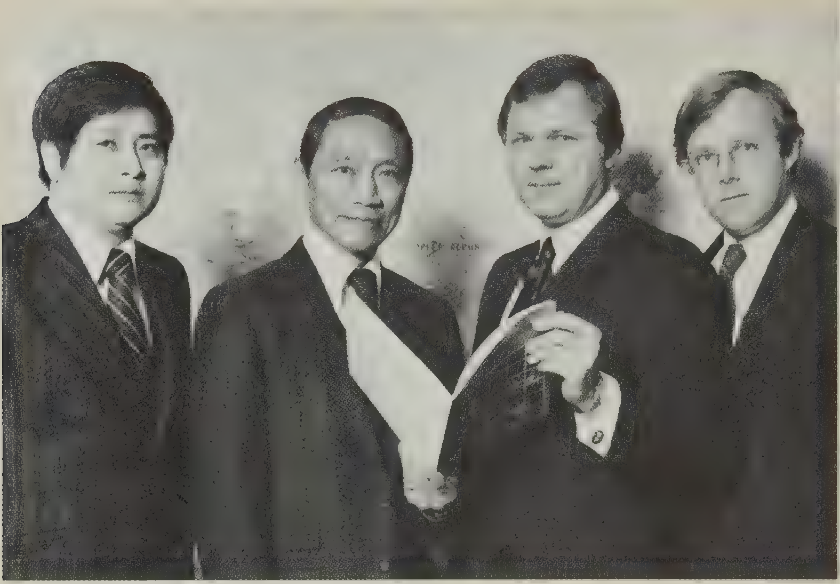


Paul Duke, moderator of public television's Washington Week in Review.

Typical of the response to *Washington Week* is this quote from a regular viewer, "I know that if I've missed anything which as a citizen I should know about, I'll have it backstopped for me on *Washington Week*."

Indicative of the high esteem in which *Washington Week* is held nationally is the fact that a recent poll of PBS viewers indicated that this program is considered even more popular than the well-known PBS show, "Sesame Street." Beginning in July the cost of producing the program at the Washington studios of the PBS network will be borne by the Ford Motor Company. Dominion Bridge and AMCA will continue to underwrite costs of making the program available to viewers within the broadcast scope of Vermont ETV.

New Group Formed to Serve China Market



Asiatic Development Group—(l to r) D. T. C. Liu, Manager—China Projects; Dr. A. T. Yu, Director—Asiatic Operations; C. H. Ricker, Director—Asiatic Development; and B. M. Booth, Manager—Asiatic Development.

On December 15 last year President Carter announced the normalization of relations between the U.S. and The People's Republic of China. By March 1, 1979 a U.S. Embassy was opened in Beijing, China. Since that first announcement the international business press has hummed with news of China's modernization plans and of the response given by countries around the world interested in doing business with the Chinese. Canada's Export Development Corporation, for instance, recently extended a $2 billion line of credit to the Bank of China. Earlier the Canadian Imperial Bank of Commerce made public a $100 million line of credit with China.

Dominion Bridge/AMCA, recognizing the business potential that these new trade relations make possible, established an Asiatic Development Group in February to coordinate the promotion and sale of the many company products and services that appear to fit the needs of China. Formation of this Group makes it possible for the company to present itself to the Chinese as a single entity: one company, one responsibility, one contact.

In announcing the formation of the new Group, Dominion Bridge/AMCA's president Jack Hatcher, stated, "We have formed an Asiatic Development Group as a means of coordinating the very substantial technical, product and service expertise within Dominion Bridge/AMCA in order that it might be made readily available to customers and prospects in the Far East and particularly within The People's Republic of China."

During the past two years China's leaders have expressed

a sense of new direction for their nation noting that today China is "...striving to adopt the world's advanced technologies and equipment, and greatly strengthening scientific and educational work to meet the needs of modernization." To this point Mr. Hatcher has said, "With both our Canadian and American heritage we are mindful of the challenges that face a nation emerging into the technologies of today. We earnestly hope that our company's long background and current heavy industrial technological and construction experience may prove helpful to The People's Republic of China during its critical growth period."

The new Group, reporting to R. E. Chamberlain, the company's senior vice president of engineering and manufacturing, is headquartered in Fairfield, New Jersey, with AMCA subsidiary, Orba Corporation. Although not yet secured, the Group expects also to open an office in Hong Kong to better serve the day-to-day needs of this new market.

Principals of the new Group are: Dr. A. T. Yu, Director—Asiatic Operations; C. H. Ricker, Director—Asiatic Development; B. M. Booth, Manager—Asiatic Development, and D. T. C. Liu, Manager—China Projects. Dr. Yu is also president of Orba which remains his primary occupation. He will, however, serve as a consultant to the new Group. Mr. Ricker, who is executive vice president of Orba, continues that responsibility while devoting a great deal of his time in helping to shape the Group's China marketing efforts. Mr. Booth is full-time manager of the Group, assisted by Mr. Liu who is a native of China.

Recognizing that the awarding of specific contracts comes only after lengthy development work, the Group is utilizing all available means to make itself known to its prospective customers. A colorful Chinese language multi-page advertisement is scheduled to appear this summer in a special China construction issue of one of the U.S.' leading technical journals, *Engineering News-Record.* Additionally an ad will appear in the Asian edition of *The Wall Street Journal* introducing the Group and its principal officers. And, substantial press publicity efforts are being mounted in a continuing effort to familiarize the Chinese with Dominion Bridge/AMCA.

Company Products and Services for the China Market

- Single point mooring systems for handling liquid cargoes
- Bulk material handling and transportation systems
- Petroleum and chemical processing plants
- Industrial and commercial buildings
- Nuclear products
- Heavy industrial machinery
- Turnkey buildings
- Pre-engineered metal building systems
- Structural steel
- Industrial and specialty cranes
- Metal forming machinery
- Processing and packaging equipment
- Steel production
- Hydraulic excavating backhoes
- Specialty forgings
- International marketer of raw steel and industrial products

Company Progress Featured in Times and Globe


The New York Times
Dominion's Merger Timetable: Pay Dirt in 2 Years
The Globe and Mail
REPORT ON BUSINES
After many profitable acquisitions, Dominion Bridge on the hunt again

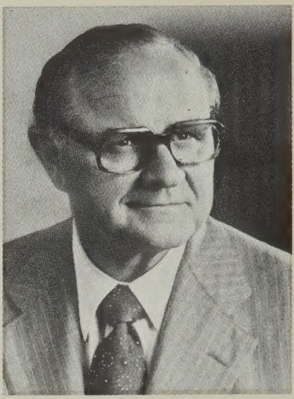
The Company's achievements during the 1970's have attracted recent interest by leading writers for *The New York Times* and *The Toronto Globe & Mail.*

Resulting articles emphasize that corporate goals set for the 70's are nearing achievement though the decade isn't over till year-end. Each writer focussed on Chairman Barclay's annual meeting statement that "we are once again ready to move forward with our acquisition program" and his assertion that "we plan on an annualized basis to add up to 50% to sales in this next phase of our development."

Times writer, Jordan Houston noted the probability of another U.S. acquisition. She notes that Mr. Barclay sees greater acquisition opportunities south of the border than in Canada and she quotes him saying he "foresees a capital spending binge in the U.S. in the next decade."

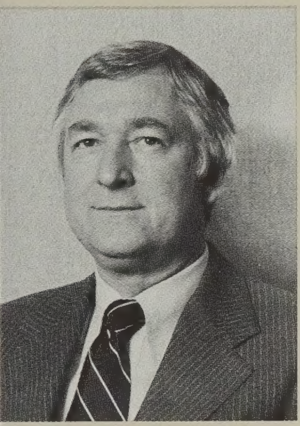
Globe journalist, Hugh Anderson, characterized Mr. Barclay as "proud of his company's record over the past decade." Both the *Times* and *Globe* articles position the Company as highly successful in reaching goals and poised for a new era of expansion.

Appointments

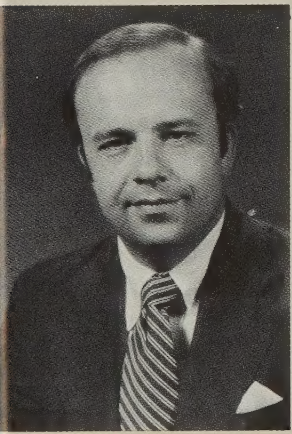


Robert W. Campbell—elected to the Board of Directors. Mr. Campbell is chairman of the board and chief executive officer of PanCanadian Petroleum Limited of Calgary.

H. Heward Stikeman—elected to the Board of Directors. Mr. Stikeman is senior partner of both Stikeman, Elliott, Tamaki, Mercier and Robb (Montreal and London, England), and Stikeman, Elliott, Robarts and Bowman (Toronto).

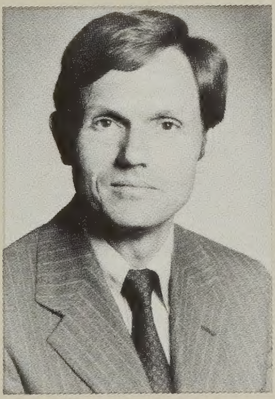


John A. Davis—named vice president and general counsel of Dominion Bridge and AMCA. He is responsible for all legal and industrial relations matters. He joined the company after having practiced law for 21 years in Arkansas where he was a senior partner in a major law firm. Mr. Davis is a graduate of the University of Arkansas and is a member of both the Arkansas and American Bar Associations.



Julian B. Twombly—named treasurer of Dominion Bridge and AMCA. He was assistant treasurer for the company. He was previously treasurer of Amtel, Inc. which was acquired by the company in 1977. In his new position Mr. Twombly is responsible for all corporate treasury functions. He is a graduate of St. Lawrence University and received an M.B.A. from Dartmouth College's Amos Tuck School.

Henry S. Tamaki—
a Dominion Bridge employee since 1947, has been named vice president—human resources for Dominion Bridge and AMCA. He was director of employee relations. A McGill University graduate in engineering, Mr. Tamaki has had wide experience in engineering, industrial relations and personnel.



Vincent L. Martin—
appointed president of the Equipment Systems Division, part of the Industrial Products Group. Mr. Martin joined the company after a number of years as general manager of the cable, crane and excavator business of a major U.S. manufacturer. Equipment Systems Division encompasses Clyde Iron, Morgan Engineering, Provincial Crane, and Wiley Manufacturing. Mr. Martin is a graduate of Stanford University and Harvard Business School.

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